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Editorial AS WE SEE IT

Katanga in the Congo is denied its independence at a price which almost bankrupted the United Nations and brought sharp differences of opinion between the United States and Britain into prominence. India, much to the delight of the Kremlin, and to the chagrin of most of the rest of the world, has ended "colonialism" in part of its territory. Cuba, still under the thumb of "Marxist-Leninist" Castro is finding it difficult to do as well as it did under previous dictators with the aid of foreign capital which made that island a victim of "colonialism," according to communist dialectics. Nasser is not finding it easy to "liberate" certain parts of the Middle East, and indeed to manage the affairs of his own country so that its people are as well off as they were before he came to the fore. Indonesia is in a turmoil since some sections of that part of the world are still "colonies" of a European country. And so the story goes round the world.

And it is in this setting that the President of the United States regrets that American investment is relatively light in those backward parts of the world where capital is most needed—and more abundant in the more advanced countries of Western Europe. Ways and means must be found, he seems to believe, to turn the flow of our capital funds from sections of the globe where political and other conditions are relatively settled to other lands where such funds are badly needed, but where no one can guess what the treatment of foreign capital will be—the odds favoring something approaching confiscation at one time or another and the certainty being that such investment will be labeled by the communists and a good many others influenced by them as modern-day colonialism.

Not to Be Overlooked

These are facts which must not be overlooked by those who talk glibly about foreign investment of private funds as a solution or even a part solution of the unrest that has now developed all over (Continued on page 23)

Encouraging Expansion Prospects And Our Potential Achilles Heel

By Dr. Paul W. McCracken, Professor of Business Conditions, School of Business Administration, The University of Michigan*

Sanguine currents in the economy are seen overriding the gloomy ones by former member of the Council of Economic Advisers. The G.N.P. predicted for 1962 is put in the $565-to-$570 billion rate barring no discouraging reversal in consumer buying and some kind of an international run on the dollar. Dr. McCracken takes a grave view of our "toe dance on the edge of the cliff on this gold and international financial situation" and hopes we realistically come to grips with it before it is too late. Apart from this danger, he looks for rising business tempo in 1962.

I

There is clearly one question that, at this particular juncture, is paramount. That question is: What is the meaning of the sluggish performance of business activity during the last three months? There are two possibilities. On the one hand, we can dismiss this sluggish performance as simply one of those things. It just represents a temporary lull in the inevitably uneven pace of economic advance. When business activity is recovering from the low point of a recession, month-to-month gains always vary widely. If that is the current interpretation, then this rather arthritic performance we have had since July is not anything to be particularly concerned about. We can be reassured that the recovery and expansion of business activity will soon proceed at the normally vigorous pace, and that we will get back on the rails soon. There is an alternative interpretation of this performance which has been causing a great deal of concern on the part of many. Does this experience of the last three months mean that we are going to be in for real difficulties in keeping the business activity moving ahead at a fairly vigorous and rapid pace? In other words, is this just one of those transitory things, or does it represent some kind of fundamental change in the character of the economy which is going to make it difficult to operate at a reasonably full level of business activity.


Dr. P. W. McCracken

II

That there has been a slowing down in the momentum of the expansion since the low point in business activity last February is, of course, very evident. Without trying to give any kind of blow-by-blow description on all of the statistics on business activity, let's just pick three or four fairly important measures.

(1) Taking the period from February, which was the low point of the recession, to July, the average monthly increase in non-farm employment was 224,000. In the period from July through October, however, the average monthly gain was in the neighborhood of only 80,000. The statistics would be very similar if we were looking at the aggregate flow of personal income. Once again, from February to July we were achieving an average monthly gain of slightly in excess of $3 billion per month. In the period from July through October, the average monthly gain was just over half that.

Industrial production reflected a similar slowing down in the pace of expansion. Only in the case of retail sales is this not clear cut. But that is what one might call a hollow victory, because the fact of the matter is that retail sales weren't doing so well from February to July either.

Therefore, as we attempt to make up our minds about where the economic situation seems to be headed in the 12 to 15 months ahead, we must take account of the factual evidence that there has been a slowing down in the (Continued on page 22)

IBA Convention Supplement: Section Two

The Security I Like Best . . .

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

ALAN K. BROWNE

Vice-President, Municipal Bond Department, Bank of America National Trust and Savings Association, San Francisco, Calif.

"Discount Bonds."

Low coupon municipal bonds selling at deep or substantial discounts afford one of the best ways to improve net income after taxes, to those buyers able to forego a portion of current income. It is often possible to increase net yield 10-40 basis points, in comparison with market offerings of the same credit and maturity but having a current coupon allowing purchase at a price of approximately par or above. This spread varies with coupon, credit, maturity, size of the offering and other marketability factors. The Financial Publishing Company of Boston has published a booklet showing net yields to the investor after 25% capital gains tax for tax exempt discount bonds, representing the maximum rate to individuals and corporations under the present law.

Alan K. Browne

Let us take for example a recent sale of 2¼% bonds due 1980 in a standard California name at a 4.00% basis, showing a dollar price of about 76.86. After allowing for a 25% capital gains tax on the 23.14 point taxable profit at maturity, there remained a net yield of 3.75% according to the table. This compared with available market offerings approximating 3.60% of the same credit and maturity, but with current coupons of 3¾%. Current income for the 2¼% issue was 2.93% on dollars invested. The net return on the current coupon bond over a 19-year period would be 67.81% and on the discount bond 78.20%.

	3¾% at 3.60	2¼% at 4.00
Original cost	$1,020.50	$768.60
Interest earned 19 years	712.50	427.50
Discount earned	*(20.50)	‡173.55
Total net gain	$692.00	$601.05
Percent original cost	67.81%	78.20%

*Premium deducted. ‡$231.40 gain less $57.85 capital gain tax of 25%.

The marketability of low coupon discount bonds is necessarily restricted because relatively few sophisticated investors take advantage of this added income feature, and only a few banks and dealers maintain trading positions in them for various reasons. Nevertheless, there is a growing acceptance of discount bonds among both long and short-term investors to whom the ultimate return is of basic importance. Generally shorter maturities may be acquired to realize a greater net yield than otherwise would be possible.

As "growth" bonds they offer unusual advantages to estate builders. With gradual appreciation built into the investment, educational and other needs may be facilitated. Trust accounts whose current income may be diverted in part to the final beneficiary would gain particularly. Individuals desiring to offset capital losses at a later date by capital gains from discount bonds are another example. Long-term institutional and pension fund buyers also should profit. Any investor in municipal bonds can well afford to analyze his or her individual tax situation to determine whether discount bonds would be advantageous.

HENRY J. LOW

Manager, Institutional Research Dept., Gude, Winmill & Co., New York City Members New York Stock Exchange

Sterchi Brothers Stores, Inc.

In these days of high earnings multiples, when investors reach without hesitation for common stocks priced anywhere from 25 to 40 times earnings and up, it is indeed rare to find an equity of a leading growing and financially very strong company in the merchandising field available at only twelve times indicated 1961 and ten times estimated 1962 net income. In addition the shares offer an above average yield of 6% on the well protected $1 annual dividend.

Henry J. Low

Such an opportunity presents itself in the common shares of STERCHI BROTHERS STORES, one of the oldest and best know furniture chain store organizations in the United States. The company has just reported earnings of $1.11 per share for nine months ended Nov. 30, 1961, representing a healthy increase of 30% over last year's three quarter showing of 85 cents per share. This large improvement in profits was accomplished on a sales rise of only 5.6% from $13,009,000 to $13,730,000 for the three quarters through Nov. 30, 1961. Total sales for the fiscal year ending Feb. 28, 1962 could well equal STERCHI BROTHERS' peak sales of $18,852,000 recorded in fiscal 1957, and 11% above last year's sales of $16,947,000. Fiscal 1962 net income is expected to equal or slightly better 1959 results of $1.41 per share compared with last year's disappointing showing of only $1.05 per share.

Last year's earnings were adversely affected by the recession, extremely severe winter weather conditions and the closing of the company's store in Daytona Beach, Fla. However the current uptrend in furniture buying, which is expected to gain momentum in 1962, when housing starts are estimated to rise 8%, has considerably brightened the outlook. Thus further sizeable improvement with a rise in sales to $20,000,000 and net income of $1.75 per share for the coming fiscal year is anticipated.

STERCHI BROTHERS STORES, founded in 1888, operates 48 stores which are located primarily in smaller industrial towns in such rapidly growing states as Tennessee, Kentucky, Alabama, North and South Carolina, Georgia and Florida. The stores, which are generally leased, offer a complete line of low and medium-priced furniture, home furnishings, floor coverings and appliances. Furthermore, small jewelry departments are maintained in 17 stores and leased to other operators.

About 75% of total sales are accounted for by furniture with the remainder made up by appliances. Since most of the sales are handled on a credit basis and financed by the company, STERCHI BROTHERS has provided for ultra conservative reserves against possible losses arising from non-payment. In fact allowances for doubtful accounts are carried in the balance sheet at about 11% of installment accounts receivables compared with the more customary 7% reserves used by other leading furniture store organizations. Thus with available reserves about three times higher than actual losses on collections from credit sales both cash position and real earnings have been greatly understated over the years.

During the past 18 months STERCHI BROTHERS STORES has ambarked upon an accelerated store expansion and modernization program. Since March 1961 four stores were opened in Murfreesboro, Tenn.; Nashville, Tenn.; Bennettsville, S. C. and Gallatin, Tenn. Additional openings of two or more stores in growing areas of the South are planned for next year. Store sites are primarily selected in small towns where steady employment of the population has been consistently maintained. These locations are considered particularly suitable because they offer good potential for expanding sales, lease arrangements can be often made on favorable terms and operating costs and overhead are generally quite low.

While gradually expanding its operations, STERCHI BROTHERS has also put into effect a rigid program aimed at complete tightening of overall operations, budget controls, cost reductions and greater operating efficiencies. Benefits from these measures are presently making themselves felt in a strengthening of profit margins. The impact of these developments should be even greater next year when demand for new furniture is expected to be higher than at any time since the end of World War II, a trend which should continue throughout this decade as more new families are being formed. Thus the company, which has maintained a better earnings record than its competitors, seems geared for continued impressive income improvements over the next few years.

Dividend payments, made uninterruptedly since 1943, have been quite liberal and are presently at an annual rate of $1 per share.

STERCHI BROTHERS STORES is in very sound financial and working capital position with current assets of $17,221,000 on Nov. 30, 1961, including cash of $831,000, compared with $5,152,000 current liabilities, or a current ratio of 3.3 to 1. Book value stood at $19.30 per share and net working capital at $17.50 per share at that time. Capitalization is small with $1,525,000 long term debt and 596,216 shares, of which about 20% is owned by the Sterchi family.

STERCHI BROTHERS STORES common, currently selling around 17 on the New York Stock Exchange, is clearly undervalued, offers an above average yield of about 6% and excellent potential for good long term capital gains.

(This is under no circumstances to be construed as an offer to sell, or as a solicitation of an offer to buy, any security referred to herein.)

This Week's Forum Participants and Their Selections

"Discount Bonds." — Alan K. Browne, Vice-President, Municipal Bond Department, Bank of America National Trust and Savings Association, San Francisco, Calif. (Page 2)

Sterchi Brothers Stores, Inc — Henry J. Low, Manager, Institutional Research Dept., Gude, Winmill & Co., New York City. (Page 2)

Price and Supply Trends For Gas, Oil and Coal

By Bruce C. Netschert,* *Director, National Economic Research Associates, Washington, D. C.*

Expert admits that his optimistic views as to future availability and price of oil, gas and coal run contrary to current trends and majority opinion. Nevertheless, the author and consultant on the subject explains why: (1) the real cost of oil and gas is not likely to increase significantly; (2) coal will not rise in price and might even decline further; and (3) adequate oil and gas resources exist for at least the next two decades or more compared to the general range of demand projected for that period. He chidingly blames pessimistic assessors for possessing a blind spot in failing to include the pace of technological progress; cautiously uses statistical trends to the future; and analyzes the three determinants of future availability and price—supply, technology and government policy.

Given the topic at hand, I venture to say no one would be surprised if I were to come up with a discussion liberally sprinkled with statistical data, together with a normal quota of charts showing derived trends and projections thereof. Those with higher than average (or perhaps I should say, lower than average) expectations would not be surprised at curvilinear projections or even a full econometric model.

Dr. Bruce Netschert

I must say at the outset that I do not intend to do this. In the first place, the relevant statistical data leave much to be desired. Bases and definitions are all too frequently ambiguous or ill defined—so much so that analysis of the data may yield misleading results. In the second place, statistics interfere with verbal communication and I believe, therefore, that they should be used sparingly away from the printed page.

As for trends and their projections, I suffer from a severe aversion to them. Trendology has its place in looking in the near-term future; but we are here discussing the long-term. Trend projections are only as good as the assumptions on which they are based. These assumptions in turn are related in one way or another to the circumstances of the past and present that have produced the trend that is being projected. Trend projection cannot avoid implying to some degree that things in the future will continue in the same manner as they have in the past. I am philosophically opposed to this implication. We live in an area of change, and if there is any burden of proof in considering the future, it is the proof that things will, in fact, remain the same or nearly so in the future. I believe, on the contrary, that the most logical assumption to make is that things will be different in the future. The only question is, how different?

With this bit of philosophizing, let me now turn to my subject. I intend to discuss the future availability and price of hydrocarbon raw materials in the U. S. in general rather than specific terms, with emphasis on their determinants. This has the immediate advantage of being safe. Less of one's neck is exposed. On the other hand I shall not merely be stating truisms and concluding the obvious. There will be enough neck showing to make it interesting.

The future availability of hydrocarbon raw materials depends on only two things: (1) the abundance of those materials in nature, and (2) the techniques of making those materials available. The two determinants of availability are, in short, natural abundance and technology.

Price Determinants

Price, however, depends on three things. The first is cost—that is, the cost of finding and producing the raw materials. This is a function of technology.

The second determinant of price is the supply-demand relationship. The price at which supply and demand balance can be either above or below the cost of making the material available. For example, under the tremendous upward push of unsatisfied demand in the postwar period, the price of natural gas has risen. This includes the price of gas that was already discovered and awaiting a market at the close of the war, the cost of which, therefore, could not possibly have changed since. Conversely, the enormous over-supply of oil caused the price of oil to go well below the cost of production. Obviously, however, price cannot remain below cost indefinitely.

The third determinant of price is government policy. The influence of policy on price is indirect through such things as the contribution of policy to inflation, through taxes (percentage depletion), through tariffs or quotas (residual oil), or through production controls (oil conservation regulations in several states). The influence of policy is direct in such instances as the regulation of natural gas price.

All of this with respect to future availability and price can thus be reduced to three things: natural abundance, technology and government policy.

At this point it is possible, and indeed necessary, to engage in the economist's favorite sport with price—to separate it into the two components which it exhibits over time. One component is the inflation component, which is the re-

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Articles and News

More Articles in Section Two

SECTION TWO of today's issue is devoted to the proceedings, editorial and pictorial, of the 50th Annual Convention of the INVESTMENT BANKERS ASSOCIATION of AMERICA and includes the following articles on the pages indicated:

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OBSERVATIONS...

BY A. WILFRED MAY

TOO BAD IT CAN'T "GO PUBLIC"

Unfortunate indeed is it that the second alternative prescribed in the *Hot Issue* gag "Either go bankrupt or 'go public'" can't furnish the solution to the United Nations' current financial crisis. Our bankruptcy-threatened international organization, with a deficit of $104 million in its special assessment account and with defaults totaling $3.9 million in annual dues, cannot qualify for the common stock financing, razor-thin as the equity sometimes is, which suits the public's insatiable speculative appetite.

There is, of course little chance of failure to float the $200,000,000 bond issue promulgated by the General Assembly, or of doubts that, as explained by Ambassador Stevenson, "this will relieve the [sic] immediate financial difficulties of the UN, and give us a breathing spell in which to devise a long-run solution." Set for subscription by member governments, central banks and public service foundation, but barring profit organizations (this prohibition seeming somewhat superfluous particularly in view of the issues prospective 2% interest rate); initial success seems assured by the quick tab-picking-up promises by Uncle Sam (assuming no Congressional obstruction) in the amount of $100 million, along with the U. K. and West Germany.

But, it seems to us, bailing-out the defaulters, namely the Soviet bloc, France, Belgium, Portugal, South Africa, and most of the Arab states, at this stage carries implications far broader than the marketing or form of the bond issue.

Transferring the Defaults

Surely to be questioned is the servicing of the debt. Interest and amortization are to be provided out of the UN's regular budget. May not this very well bring about defaults on that proportion of their regular budget bill by those renegging on the assessments for operations of which they do not approve? Will the Soviets, the French and the others who are renegging on contributing to the Congo and Middle East costs, assent to being egged into responsibility for the annual servicing of the longer-term debt incurred thereby?

In connection with the stop-gap plans, creation of additional defaulting on the regular annual budget, the already existing proclivity toward arrears there must be borne in mind. Seven countries, including Taiwan (free China) still owe $701,271 for 1959. In arrears on their 1960 dues are 16 countries (Argentina, Bolivia, Beloroyssia, Taiwan, Colombia, Costa Rica, Cuba, Guatemala, Haiti, Honduras, Hungary, Morocco, Nicaragua, Paraguay, Uruguay, Yemen) with a total of $3,241,855. For 1961, $17,432,129 of the $69,399,839 total obligations is outstanding.

The Angels

Not only have the United States, along with Britain and Germany, indicated substantial "underwriting" of the projected bond issue. The U. S. has voluntarily overpaid $19.3 on its past 1960-1961 obligations for the Congo operation and $1.8 million toward the Middle East project; and the U. K. has overpaid $410,000 for the Middle East operation. Additionally, and particularly important, the United States has volunteered formal pledges for overpayments toward future expenses through June, 1962, or $11 million for the Congo and $2.3 million toward the Middle East operations.

Invitation to Free-Loading

Notwithstanding the prospective continuation of bail-out "angelling" by the U. S. and others, the use of long-term financing to get the "Dead-Beats" "off-the-hook" creates deep-seated drawbacks. In postponing settlement of, and glossing-over, the issue with the free-loaders, their behavior is being legitimitized and the entrance gate is thrown open to future joiners of their fraternity. (Mitigation coming from the World Court's decision, expected at mid-year, on the validity of the members' special assessment debts, even if it results in a loss of delinquent's voting rights, can only be relatively minor).

* * *

ENLARGED PERFORMANCE RECORD

As several readers have called to our attention, our citation in our column of Dec. 7, "On Behalf of Art Profits," of the comparative past performance record of art and riskless bond investment contained an important typographical error. The statement that "a riskless commitment of *$100,000*" in U. S. Government bonds 30 years ago would, including compounding of the interest earned, today be worth some $2,900,000 to the holder, should have stated the starting commitment as *$1,000,000*.

At any rate, the more interesting basis for comparison is common stock performance, with allowance for reinvestment of dividends. To our previously shown record, comprehensive to eliminate hindsight, we would now add the shareholder's gain from capital appreciation and the yield from dividend payments, on Moody's 200 stocks.

To the present from the 1929 bull market top year, it was 380% (well over 400% if, as with art objects) "dividends had been reinvested"); from 1936 to date, the gain was 550% (600% if return had been withheld and reinvested); "postwar" 1946 to date it was 450% (approximately 475% if the dividends return were reinvested).

Performance of Plough-Back Stocks

Life insurance stocks, because of the plough-back of current earnings, and extremely low dividend payments supply a good basis for "securities" and comparative performances with art objects.

To the present from 1941 Best's Life Insurance Stock Index has advanced by 3450%; postwar from the end of 1945 by 2060%; and during art's great bull market of the 1950's the insurance stocks have again held their own with a gain of 960%.

Murray Named By Van Ingen

Morgan J. Murray has been elected an assistant vice President of B. J. Van Ingen & Co. Inc., 40 Wall Street, New York City, underwriters and distributors of State, Municipal and revenue bonds, it has been announced.

Morgan J. Murray

Mr. Murray joined the firm in 1950, and since 1951 has been associated with the Buying Department, specializing in negotiated bond underwritings and serving as financial consultant to municipalities. He is a member of the Municipal Forum of New York and the Investment Association of New York.

First Cleveland Branch

AKRON, Ohio—First Cleveland Corporation has opened a branch office at 948 Thorndale Drive under the management of Boyd D. Bonar.

First Cleveland Branch

FINDLAY, Ohio — First Cleveland Corporation has opened a branch office at 318 East McPherson Street under the direction of Thomas G. Woods.

A. W. Benkert Branch

BOSTON, Mass.—A. W. Benkert & Co., Inc. has opened a branch office at 50 State Street under the direction of James McCormick.

J. B. Coburn Branch

MIAMI, Fla.—J. B. Coburn Associates, Inc. has opened a branch office at 882 Northeast 79th Street under the management of Warren Gilbert.

Colorado Co. Office

BOULDER, Colo.—The Colorado Company has opened a branch office at 1315 Broadway under the management of Frank T. Milligan.

FROM WASHINGTON ...Ahead of the News

BY CARLISLE BARGERON

The United Nations and foreign aid will be two of the hottest subjects to be dealt with by the upcoming Congress which meets January 10. The United Nations is probably at its lowest point in the esteem of Congress. Sentiment is running strongly against its action in the 'Congo, with the United States paying for three-fourths of the operation and Russia and several other nations refusing to pay a cent. Several of the nations are refusing, also, to meet their share of the ordinary operating expenses of the tribunal, necessitating its having to issue bonds of $200,000,000 which, in the feeling of members of Congress, the United States will have to pay.

Continued loans to Poland and Yugoslavia and the loan for the Volta Dam in pro-Communist Ghana have added to the disenchantment of foreign aid. Continued aid to India after its aggression against Goa will come in for considerable criticism. It will probably be the worst year for both the UN and foreign aid in Congress since they were launched.

President Kennedy, according to present indications, will present a balanced budget at the beginning of the session. It will call for about $90 billion expenditures, with revenues about the same. Of this sum $48 billion will be for the military. Mr. Kennedy will therefore win his bet with the Dallas newspaper publisher with whom he made a wager several months ago that he would present a balanced budget.

This does not mean that it will stay balanced. Several new items will be presented as the year moves on. For example, at the outset, he may ask for nearly a billion dollars in standby authority for a public works program to be used if unemployment does not drop below its present rate of 6.1%.

If his balanced budget includes an anticipated $700 million increase in postal rates it will be just that much shy because Congress is not likely to authorize this increase. Too many members of House and Senate see this for exactly what it is, virtually a tax increase and as practically everybody uses the mails, a very widespread increase.

It is doubtful if Congress will pass much of the President's tax program. If anything gets through it will probably be the proposal for an incentive tax plan to help business deal with plant and equipment obsolescence.

His efforts to tax out of business American firms operating abroad will probably go the same way as his tariff reduction program, that is down. Very few of his aides hope he will get his tariff program at this session but they believe that by introducing it and starting the fight, they can make progress in educating the public to support their position.

The only education bill that he is likely to get through will be one to grant aid to higher education. It is doubtful that the President's general aid to education bill will get out of the House Committee on Education and Labor.

His medical aid bill for the aged is likely to stay right where it is — in the House Ways and Means Committee. It is a highly controversial bill and Congress does not like to get into any controversy in an election year.

It is likely to be a disappointing session for Mr. Kennedy, and there will be much criticism of Speaker John McCormick in the House and more mourning for Sam Rayburn. The truth is that it is in the way the cards fall and they don't fall so well in this session. Mr. Kennedy was exceedingly fortunate in the results of the first session. It is not in the stars that the results will be as good this session. Beginning in May a lot of Congressmen and Senators will have to be away a lot of the time making primary fights.

First Buffalo Corp.

BUFFALO, N. Y.—The First Buffalo Corporation has been formed with offices in the Rand Building, to engage in a securities business. Officers are Roland Segal, president and secretary; and Herman P. Loonsk, vice-president and treasurer.

Godfrey, Hamilton Office

BRIDGEPORT, Conn.—Godfrey, Hamilton, Taylor & Co., Incorporated, has opened a branch office at 2355 East Main Street, under the direction of Roy Webber.

William Jennings Branch

YONKERS, N. Y.—William Jennings & Co., Inc. has opened a branch office at 6 Xavier Drive, Cross County Center under the direction of Bernard A. Rickles.

Mortgage Market Financing And Real Estate Trends

By Arthur M. Weimer,* *Dean, Graduate School of Business, Indiana University, Bloomington, Indiana*

Prediction of modest rise in 1962's house building assumes continued significant amount of apartment house construction and only slight expansion in single houses, and little upward pressure on interest rates. Increasing competition from other lending institutions is expected to keep S & L Associations' percentage of home financing at last year's figure. Any upward pressure on lending rates, in the face of increasing competition from banks and insurance companies for mortgages, is judged most likely to occur later rather than earlier in the year. Savings and loan executives are urged to upgrade their analysis from a narrow to a "total" concept of market conditions, to use more specialized personnel; to not underestimate the rise of multi-family and special purposes housing; and to devote more attention to marketing second-hand homes. Dean Weimer warns that a highly sophisticated management will be a must in the years ahead.

A year ago we were in the early stages of the mildest postwar recession to date. Recovery began early in 1961 and has continued to date with promise of further expansion in the months ahead.

Arthur M. Weimer

Each of the postwar recessions has had some characteristics that were comparable with others. For the most part they have been relatively mild. The economic stabilizers have operated effectively and the recessions have been of rather short duration.

Each postwar recession also has had its own characteristics. Our experience in late 1960 and early 1961 was characterized by a modest decline in over-all economic activity largely due to inventory adjustments. The decline was not great enough to affect long-term money rates. In combination with technological developments, it produced some serious problems of unemployment.

The Economist, the widely read British publication, has characterized our current recovery as "well mannered." In many respects this is an apt description. Expansion has been orderly and at rates which have not put upward pressures on prices. Some of the problems of rapid expansion which characterized earlier postwar expansion periods have been avoided, at least so far.

At the present time it would appear that the recovery will continue to be well mannered. From some points of view it may be considered too well mannered, in that growth prospects are not such as to suggest a rapid reduction in the unemployment figures or to provide solutions for some of the problems of depressed areas.

Outlook for 1962

The character of 1962 is apt to depend to considerable extent on the international situation. Economic developments have been overshadowed in recent months by the deterioration in international relations, as exemplified by the Berlin crisis and developments in southeast Asia. However, little can be said at this point in regard to potential international developments. Many of the decisions that will determine the character of the international scene will be made in the Kremlin and it is almost impossible to guess what these may portend for the future.

In the absence of better information, we may assume that conditions will continue to follow the patterns of recent months, recognizing, of course, that minor revisions of estimates of the international situation or slight miscalculations could easily bring major changes.

If we may assume an international situation not unlike that of recent months, it now appears that 1962 should be a relatively favorable year for businessmen consumers, farmers and other sectors of our economy. Expansion is likely to continue. The enlarged defense program will have increasing effects. There will be modest expansion in the business sector. Consumer expenditures undoubtedly will register some gains in the months ahead. Farmers may well have another good year.

At the present time, however, it does not appear that economic expansion will attain "boom" proportions. It is possible that we may see some acceleration of the forces of expansion toward the end of the year. The fall elections may have some influence in this direction. In general, the year as a whole now gives promise of being a relatively favorable period.

A period of gradual expansion has advantages in that we are not likely to see a resurgence of inflationary pressures. On the other hand, it has disadvantages since we are not likely to see major reductions in the unemployment figures. Some progress will be made. Further, we are coming to recognize increasingly that our unemployment problems have many social and technological implications rather than being solely a reflection of economic conditions. There are labor shortages in many highly skilled and technical lines. Unfortunately, many of those now unemployed will not be able to gain the skills and the training necessary to fill such jobs.

Specific Sectors

If this general outline of potential economic developments during the year ahead has validity, there are several implications for particular sectors of the economy that need to be considered.

Government programs will play a significant role in the economic developments of 1962. Expansion in defense and related programs is already taking place and will be paralleled by continuing activity in other public programs. The expansion of the defense program and the calling up of reserves has had and will continue to have some implications for the housing market. Many of the reserves will be reluctant to make house purchases, and indeed there may be a greater number of houses put on the market for sale than would have been the case otherwise.

An expansion of government programs, whether for defense or other purposes, has many implications for both fiscal and business policy. Taxes are likely to remain high. Government programs will have some impact in the money markets. Government financial policies must be evolved in terms of political realities at home and abroad and with due regard for the protection of our gold reserves.

The whole area of the relationships between government and business has been discussed widely in recent months. While there may be some problems in terms of government-business relationships in other fields, this is not likely to be the case in the savings and loan business. The policies evolved by the Federal Home Loan Bank Board under its new Chairman, Mr. McMurray, generally have the approval and support of the people in this business. The working relationships have never been better.

In the field of labor relations we have seen a relatively favorable pattern emerge as a result of the automobile settlements that have been achieved to date. Of major importance will be the labor negotiations in the steel industry. Whether various rumors regarding these developments are reliable or not, it would now appear that there is little danger of a prolonged strike or that there will be major difficulties in reaching a settlement. If this type of estimate is fairly widespread, we should see relatively little advanced stock piling of steel, although there may be some tendency in this direction, particularly where it is important to complete projects on schedule and where efforts will be made to avoid any interruptions in building programs. If uncertainties regarding the steel situation become widespread, there may be some inventory building and this would tend to generate somewhat more than the usual expansionary tendencies in the earlier months of the year. At the present time, it appears that we may avoid a repetition of the 1959 situation relative to the advance buying of steel.

Modest Rise in Home Building

Of major importance to all of us is the area of housing and home financing. House building in total seems to be scheduled for a modest rise. Major gains, however, are not anticipated.

In all probability, apartment house building will continue to be important, as it was in the current year. The single house market may expand only slightly.

Modest gains on an overall basis will result from fairly rapid gains in some localities and rather sluggish markets in others. There has been some rise in mortgage arrearages and delinquencies, with a wide variety of experience as between localities. I think bankers know how to deal with these problems.

Of those reporting to the U. S. Savings and Loan League's Committee on Trends and economic Policies, nearly three out of four see little change in the volume of house building and only a limited number see prospects for significant expansion. Again there are significant local variations.

Investors in mortgages are likely to have continued opportunities to finance apartment house projects, housing resulting from urban renewal projects, and special types of programs, such as housing for the aged. I think they recognize this, but I believe it is important to emphasize the fact that all of these areas represent different types of business than the single family house field. They will need to exercise more than ordinary caution and rely to a greater extent than usual on experts and specialists in these areas.

The increase in the percentage of the home financing business done by the savings and loan institutions, while highly significant is not likely to be matched in the year ahead, particularly if there is increasing competition from other lending institutions.

Currently savings trends appear to be favorable. Consumers may step up their buying rates in the months ahead and this may bring some reduction in the flow of savings, but in general I would expect the continuation of a favorable volume of savings. In fact, I believe that increased consumer spending during the next few months would result in more jobs and greater incomes rather than less saving.

Adequate Mortgage Money Supply

I do not foresee shortages of mortgage money. If there are upward pressures on lending rates, they will be modest and are likely to come later rather than earlier in the year. Indeed, bankers may face increasing competition in mortgage markets. Current estimates do not indicate a rapid expansion in business expenditures for plant and equipment. Consequently, banks and insurance companies may be taking more of an interest in the mortgage market than has been the case in recent months.

Thus, it would not appear that higher dividends would be needed in order to attract a greater volume of savings to handle the demands for home financing.

Not only do market forces suggest little upward pressure on rates, but the Kennedy Administration is strongly committed to economic growth and holds the position that favorable interest rates are necessary to economic growth. As part of the Administration, the Federal Home Loan Bank Board will reflect this point of view.

Implications for the Savings And Loan Business

What do these potential trends of development suggest for savings and loan managers during 1962 and the years ahead?

I have already made several suggestions. The possibility of increasing competition from other lenders is something with which many have had experience. I need not elaborate on the policies that will be required.

I have also indicated that there appears to be little reason for a revision of present dividend policies in the light of potential developments in the money and mortgage markets.

I have also suggested the importance of using expert advice for assistance in special fields, notably lending on apartment house projects, the financing of housing in urban renewal areas and projects related to housing for the aged. Increased use of expert appraisers, market analysts, land planners and others would appear to be indicated since these fields represent substantially different types of problems than those of the single family house field.

I think if I were to suggest one line of development deserving of special consideration, it would be that of greater emphasis on a market orientation to the business. By a market orientation I mean the whole set of viewpoints, attitudes and concepts which stress the development of major policies and decisions in the light of the total market situation in which a bank will be working. I recognize that this business, more than most financial institutions, has had a heavy market orientation throughout the postwar years. I think we

Continued on page 27

TAX-EXEMPT BOND MARKET

BY DONALD D. MACKEY

As the calendar changes from 1961 to 1962 and the volume of new issue state and municipal financing is temporarily diminished in abeyance to the intervening holidays, the features as well as the problems of the tax-exempt bond industry generally come up for more or less serious comment.

The most interesting commentary, as we see it, concerns the volume of underwriting accomplished during 1961 in relationship to the prevailing market level. The *Bond Buyer* reports that a record new issue volume was handled during 1961, the total being approximately $8.3 billion. According to the same authority the previous record high volume was in 1959 with a total of about $7.7 billion. The 1960 volume was about $7.2 billion.

Price Stability Remarkable

The 1961 volume itself is not of particular significance but the fact that this volume was underwritten and for the most part marketed within a narrow market framework is, to say the least, remarkable. A year ago (Dec. 28, 1960) the *Commercial and Financial Chronicle's* high grade 20-year bond Index averaged at a yield of 3.23%. The Index, as of Dec. 27, averages at a 3.292% yield. This would indicate that the market is lower by less than three-quarters of a point after having absorbed a record volume of bonds and following the year 1960 when the volume absorbed was less by over a billion dollars.

During the year 1961 the tax-exempt market fluctuated less than during any year in our memory. In terms of yield the high point was during the first week in July when our Index averaged 3.423% on both June 28 and on July 5. On Sept. 6 the average reached 3.415% after touching 3.35% on July 26. Frequently during the summer months, yields have been at their highest. The year's lowest average yield was touched on March 1, when it averaged out at about 3.20%.

To sum up this price fluctuation it would appear that as between the highest and lowest yield Indexes, the tax-exempt market fluctuated less than 2½ points in terms of dollars. This is not to infer that individual issues did not fluctuate considerably more than this at one time or another. Quality, maturity, and coupon might have influenced fluctuations in individual instances to a more exaggerated degree. However, on the basis of the *Chronicle's* Index, which is predicated upon actual offerings of selected high grade bonds, the market swings were abnormally small.

Not Much "Net" to Dealers

In further commentary on the market during 1961 it may be as validly reported, although the statistical background is less pragmatic, that dealer profits were relatively shortened. Although profit margins as set up in the bidding formulae were generally of traditional spread, the profits realized in the aggregate were considerably less than contemplated. Increased competition among dealers has prevailed during all of 1961 and the over pricing of new issues has been an incessant result.

A large proportion of the accomplished underwriting often quickly resulted in short profits and not infrequent losses. In a more or less trendless market framework, as 1961's has been, this sort of operation appears as inevitable. The dealers' aggressiveness and optimism under these circumstances is continuously offset by the buyers' shrewd willingness to pass up particular issues, or to bid the dealer down in line with his own price ideas. This situation certainly adds to the gaiety of the investors and to the activity of the business, but financial results from a dealer viewpoint have become relatively diminished.

1962 Yield Forecast

It would appear that the tax-exempt bond business will continue to be very competitive into 1962. It would also seem that new issue volume will keep pace with the needs of the future. Record new issue volume seems likely to be set in the year ahead as no important market impedimenta would appear in prospect. All are hopeful that economic growth will continue. This growth seems not likely, in the form of capital expansion, to demand relatively more from the financial community than has been demanded during 1961.

With the continued intelligent surveillance that has been exercised by the Federal Reserve it would seem to follow that next year's bond market would portend no new problems; perhaps more of the same barring conditions of warfare. We see, at this point, little valid reason to anticipate any more fluctuations in tax-exempt bond rates than has obtained during 1961. The increasing value of tax exemption, particularly to bank and institutional investors, and the breadth of this sphere, is an added stabilizing factor.

The inventory situation has improved dramatically during the past two weeks. On Dec. 27 the *Blue List* of state and municipal bonds totaled only $333,728,399. As recently as Nov. 30 the total was $504,540,000. This condition has been a large factor in the recently improved general market.

January Offerings Impressive

The new issue calendar covering the next six weeks is abnormally light for this time of year. Less than $400,000,000 is currently advertised for sale at competitive bidding. This situation may soon change but in the meantime January's market seems certain to be a very competitive affair.

Early in January the new issue features include: $25,000,000 Puerto Rico, general obligation bonds selling Jan. 3; $25,000,000 Port of New York Authority revenue bonds selling Jan. 4 and $30,000,000 East Bay Municipal Utility District, Calif., general obligation bonds selling Jan. 9.

Recent Awards

The list of new issues which have sold during the past week has been sparse of big names but four issues of note have sold and are worth commenting about. Tuesday, Dec. 26, saw the sale of $3,225,000 Larimer County, Colo., Paudre School District (1963-1987) bonds to the group headed by Boettcher & Co. through negotiation. Other members of this group include Bosworth, Sullivan & Co., Don A. Chapin & Co., Coughlin & Co., Inc. and Peters, Writer & Christensen, Inc. Scaled to yield from 1.75% to 3.30% the issue attracted excellent investor demand with the press time balance being $200,000.

Anaheim Union High School District, Calif., awarded $1,700,000 bonds, due 1963-1982, to the syndicate headed by Bank of America N.T. & S.A. as 3⅛s and 3½s. Other major members of this syndicate are Wells Fargo Bank American Trust Co., C. J. Devine & Co., Weeden & Co., The Northern Trust Co., Paine, Webber, Jackson & Curtis and Phelps, Fenn & Co. Reoffered to yield from 1.70% to 3.50% the present balance is $1,015,000.

Wednesday, Dec. 27, witnessed the sale of $2,500,000 Mahoning County, Ohio West Branch Reservoir bonds to the group headed by Halsey, Stuart & Co., Inc. Associated with Halsey, Stuart & Co., Inc. as major members of this group are Paine, Webber, Jackson & Curtis, Hornblower & Weeks and First of Michigan Corp. Scaled to yield from 1.80% in 1963 to 3.50% in 1982, about three-quarters of the bonds have been sold.

The final issue of the week involved $1,685,000 City of Pittsfield, Mass. Water & Sewer bonds which were awarded to the Lehman Brothers syndicate on its high bid. Other major members of this syndicate include Kuhn, Loeb & Co., Shields & Co., F. I. duPont & Co. and Wm. E. Pollock & Co. Scaled to yield from 1.60% in 1962 to 3.25% in 1981, about one-quarter of the bonds have been spoken for.

Toll Road Issues Higher

The toll road and other revenue issues have improved in market tone during the last week or two also. The *Smith, Barney & Co.* Turnpike Bond Yield Index averaged out at 3.86% on Dec. 21. On last reporting the average yield was 3.90%. This represents close to one half a point improvement. The new Florida State Turnpike 4¾s which came to market last week at 99 are now 99½ bid, and have sold as high as 100¼.

MARKET ON REPRESENTATIVE SERIAL ISSUES

	Rate	Maturity	Bid	Asked
California (State)	3½%	1978–1980	3.60%	3.45%
Connecticut (State)	3¾%	1980–1982	3.35%	3.20%
New Jersey Highway Auth., Gtd.	3%	1978–1980	3.35%	3.25%
New York (State)	3%	1978–1979	3.30%	3.15%
Pennsylvania (State)	3⅜%	1974–1975	3.10%	3.00%
Vermont (State)	3⅛%	1978–1979	3.25%	3.10%
New Housing Auth. (N. Y., N. Y.)	3½%	1977–1980	3.35%	3.20%
Los Angeles, Calif.	3¾%	1978–1980	3.65%	3.50%
Baltimore, Md.	3¼%	1980	3.45%	3.30%
Cincinnati, Ohio	3½%	1980	3.40%	3.25%
New Orleans, La.	3¼%	1979	3.55%	3.40%
Chicago, Ill.	3¼%	1977	3.60%	3.45%
New York City, N. Y.	3%	1980	3.60%	3.55%

December 27, 1961 Index=3.292%

Larger Issues Scheduled For Sale

In the following tabulations we list the bond issues of $1,000,000 or more for which specific sale dates have been set.

Dec. 28 (Thursday)			
Hartford County Metro. D., Conn.	3,200,000	1962-2001	2:00 p.m.
Jan. 1 (Monday)			
Cypress-Fairbanks CISD, Texas	2,325,000	--------	--------
Taylor Township Sch. Dist., Mich.	3,500,000	--------	--------
Jan. 2 (Tuesday)			
Lauderdale Co. Sch. Dist., Miss.	1,400,000	1963-1987	10:00 a.m.
Jan. 3 (Wednesday)			
Puerto Rico (Commonwealth of)	25,000,000	1962-1984	11:00 a.m.
Jan. 4 (Thursday)			
Georgia State Office Bldg. Auth., Georgia	6,000,000	--------	--------
Port of New York Authority, N. Y.	25,000,000	1991	--------
University of South Carolina	2,480,000	1964-2001	Noon
Jan. 5 (Friday)			
Georgia Univ. Sys. Bldg. Auth., Ga.	6,170,000	1964-1991	11:00 a.m.
Jan. 8 (Monday)			
Carroll College, Mont.	1,297,000	1963-2000	10:00 a.m.
Flint, Mich.	6,950,000	1963-1991	3:00 p.m.
Kenton City Sch. Dist., Ohio	1,678,000	1963-1982	Noon
Riverside City Sch. Dist., Calif.	1,000,000	1963-1982	10:00 a.m.
Jan. 9 (Tuesday)			
Benton & Linn Countries, Corwallis Sch. Dist 509J, Ore.	2,100,000	1963-1977	7:30 p.m.
East Bay Mun. Util. Dist., Calif.	30,000,000	1963-1997	10:00 a.m.
Montgomery County, Md.	13,150,000	1963-1987	--------
Roseville School District, Mich.	1,500,000	1963-1987	8:00 p.m.
Terrebonne Par. Cons. SD #1, La.	2,000,000	1964-1987	10:00 a.m.
Jan. 10 (Wednesday)			
Buckeye Valley Local S. D., Ohio	1,455,000	1963-1983	11:00 a.m.
Lee County, Fla.	1,150,000	1964-1981	11:00 a.m.
Minneapolis Special S. D. 1, Minn.	2,000,000	1965-1982	10:00 a.m.
New Mexico (State of)	8,043,972	--------	9:00 a.m.
New York (State of)	33,000,000	--------	--------
Pascagoula Mun. Sep. S. D., Miss.	2,000,000	1963-1987	11.00 a.m.
Princeton Township, N. J.	1,050,000	1963-1992	8:00 p.m.
San Jose, Calif	20,000,000	1963-1982	11:00 a.m.
Wynford Local Sch. Dist., Ohio	1,242,000	1963-1984	1:00 p.m.
Jan. 11 (Thursday)			
Clark County, County S. D., Nev.	6,000,000	1963-1981	--------
Kimberly, Wis.	2,160,000	1963-1981	2:00 p.m.
Port Clinton City Sch. Dist., Ohio	2,150,000	1963-1984	Noon
Jan. 13 (Saturday)			
Carleton College, Minn.	1,295,000	1964-2001	8:30 p.m.
Jan. 15 (Monday)			
Ascension-St. James Bridge & Ferry Authority, La.	30,750,000	2001	11:00 a.m.
Manitowoc, Wis.	1,500,000	1963-1982	11:00 a.m.
Worthington Exem. Village SD, O.	1,200,000	1963-1982	1:00 p.m.
Jan. 16 (Tuesday)			
Niagara Falls, New York	1,950,000	--------	--------
Oceanside-Carlsbad Junior College District, Calif.	3,500,000	--------	10:30 a.m.
Jan. 17 (Wednesday)			
Alpine School District, Utah	2,500,000	1964-1973	--------
Hempstead, New York	2,605,000	--------	--------
Norwalk Local Sch. Dist., Ohio	1,345,000	1963-1984	1:00 p.m.
Washoe County, Nev.	1,950,000	--------	--------
Jan. 22 (Monday)			
Caldwell Parish, La.	1,975,000	1963-1982	9:00 a.m.
Ector County, Texas	1,500,000	--------	--------
Jan. 23 (Tuesday)			
Georgia Rural Roads Auth., Ga.	15,000,000	--------	--------
Jan. 24 (Wednesday)			
Hempstead UFSD No. 7, N. Y.	1,270,000	1962-1976	1:30 p.m.
Missoula, Mont.	1,700,000	--------	8:00 p.m.
Stepenson County, Freeport School District 145, Ore.	1,650,000	1963-1987	8:00 p.m.
Jan. 25 (Thursday)			
Austin, Texas	2,000,000	1963-1987	--------
Bossier City, La.	3,775,000	1963-1992	10:00 a.m.
Jefferson Parish Cons. Drainage District, La.	1,000,000	1963-1982	2:00 p.m.
Rocky River City Sch. Dist., Ohio	2,250,000	--------	--------
Jan. 29 (Monday)			
Pomona, Calif.	1,300,000	1963-1992	8:00 p.m.
Jan. 30 (Tuesday)			
Waco, Texas	2,505,000	--------	3:00 p.m.
Feb. 1 (Thursday)			
Acadia Parish Sch. Dist., La.	2,900,000	1963-1992	10:00 a.m.
Eastern New Mexico University	2,175,000	1963-2001	10:00 a.m.
Madison, Wis.	1,000,000	--------	--------
Feb. 5 (Monday)			
Tri-Cities Mun. Water Dist., Calif.	2,900,000	--------	7:30 p.m.
Feb. 6 (Tuesday)			
Columbus City Sch. Dist., Ohio	7,000,000	1963-1985	Noon
Los Angeles Sch. Dist., Calif.	35,000,000	--------	--------
New Jersey (State of)	45,000,000	--------	--------
Two Rivers, Wis.	1,700,000	--------	--------

Business and Financial Forecast for Coming Year

By Roger W. Babson

There is hardly any significant facet of our economy, or likely new development or exit of developments turned sour, which escapes the prescient eyes of Mr. Babson in his annual forecast for the year ahead. Predicted, for example, is the slowing down of automatic factories because of their prohibitive costs, the growth of polymer chemicals and "epoxy" cements, the use of color in steels, cement and advertising to stimulate sales, the relative stability of bond prices and sufficiency of mortgage funds, and a push in stock prices as a result of mutual funds' popularity. Mr. Babson also notes the inflow of foreign investments here and weighs economic prospects of foreign lands wherein he is most bullish about Canada.

I am hopeful for 1962; it should be a better year than 1961. Industrial production will exceed that of 1961.

There will be neither a nuclear war nor total disarmament in 1962. Considerable progress may be made toward a ban on atomic weapons.

Retail trade will make new records during 1962. Increased newspaper advertising, especially in colors, will be a great boon to merchandising.

Commodity prices will act erratic during 1962. Agricultural prices will be held up by legislation, but many metals will sell for less.

The official cost-of-living figure will rise slightly in 1962, but there may be a scandal in Washington over how this figure is calculated or adjusted. The real increase in the cost-of-living will be due to increased wages demanded.

The only certain shortages during 1962 will be in land suitable for parking places and waterfront property readily accessible to building lots; also for automobile "graveyards" near cities which have been zoned.

The building of shelters will look silly before the end of 1962. Certainly the Federal Government will not underwrite the building of private shelters for individual families.

Land Value Rise as Homes Depreciate

Good real estate must rise in price as the population increases. Elementary mathematics determines the price of suburban real estate. While the land on which a house now stands should increase in value during 1962, the building itself depreciates from the moment when it is first occupied. A possible exception would be certain very attractive ranch houses painted in color.

Automobile production will be the most important statistical indicator during 1962. This applies to both the number of automobiles and their sales value. We now have no reliable figures for the latter.

We will gradually approach an average of two cars for every family. The life of automobiles should gradually increase. The percentage of automobiles annually destroyed will decrease in 1962.

Automobiles and gasoline will be, increasingly, sources for raising money by taxation. These means will be extended to include an additional assessment on the manufacturers of automobiles.

Cheering Business Tax News

Taxes, as a whole, will continue to increase in 1962 for every family. Business net taxes, however, will decrease in 1962, through the granting of depreciation refunds which can be done by Executive order. The manufacturer may greatly increase his deductions for past investments and new machinery, plant, and equipment. Douglas Dillon feels that such tax reductions will increase the purchase of new equipment, develop greater efficiency, and result in a net improvement in the employment situation. This is good news for 1962.

With all the above changes, plus increased public improvements and longer vacation periods, families must save somehow and cut somewhere. I think it will begin in 1962 with clothing. This will gradually become cheaper and more attention will be paid to color.

The time is approaching when the weaving of cloth will be greatly curtailed. Clothes will be made like paper. Plastic coats are already on the market. These are produced by feeding the cellophane into a machine which cuts to desired sizes and bonds (not sews) the material into beautifully finished goods of different colors.

Prohibitive Costs of Automation

We will hear more about automation during 1962. But the cost of building automatic factories is so great that the change is coming slowly. Even electronics has been overemphasized.

There need be no unemployment among steel workers during 1962. But government unemployment figures will remain high. Foreign competition, due to low wages abroad, will be an important factor. Women will prefer to work in air-conditioned factories and have their home pantries filled with precooked foods.

Labor unrest will grow in extent and power. The Kennedy Administration is friendly to union leaders and their demands. There will be demands for more "fringes" in 1962. A steel strike is possible.

This means that with increased taxes, prices for retail products will be higher. This will be blamed on "inflation" of money; but it will be due to inflation of living standards.

The real value of the dollar will decline slightly during 1962, due to the decrease in the productivity of labor. The electronics industry will temporarily suffer in 1962 if atomic warfare is outlawed. But otherwise the electronics industry will increase for some years to come and hold up the dollar value. Watch polymer chemicals and "epoxy" cements.

Plenty of Mortgage Money

There will be enough money for mortgages insured by the Federal Housing Administration in 1962. Plenty of money will be available for mortgages guaranteed by the Veterans Administration, although this supply varies with different sections of the country. Interest rates on conventional loans not having any government guarantees will be a little higher. Real estate people will worry about the public's desire to build, rather than about their obtaining mortgage money.

The kilowatt hours of electricity produced in 1962 will exceed the total of any previous year. This is favorable to utility preferreds.

Steel production in 1962 will exceed this year's 100 million tons, but the increase will come from producing steel in colors.

Cement production will be about the same in 1962 as in 1961, but the industry's capacity to produce is increasing too rapidly in view of the demand. The cement manufacturers must give more attention to colors.

Expenditures for plant and equipment in 1962 will increase, supplemented by large appropriations for repainting factories and offices in many colors.

Newsprint production depends upon the number of newspapers and the amount of advertising sold. I forecast a decline in the amount of newsprint sold during 1962, but advertising receipts may increase through the better use of colors. This may result in the increased use of coated paper to better take color printing—with a 50% increase in advertising rates.

There will be some increases in color TV sales in 1962. In fact, I think the present TV market is far from being saturated.

First-class postage rates will not be increased during 1962. Hence, more money will be spent on direct mail selling. This should help job printers in 1962, as their present margin of profit is very small. Billboard advertising will increase during 1962, due to a new kind of paint.

Lumber will do well to hold its own in 1962 and much of it will be sold colored. Wall-to-wall carpeting will become even more popular, reducing the price of the best hardwood floors.

Exports will probably increase during 1962, but the surplus of trade in favor of the United States is constantly decreasing.

Sees Democratic Trend

President Kennedy is encouraged by the recent elections in New York, New Jersey, and Texas. This Democratic trend will continue during 1962, notwithstanding former President Eisenhower's campaign speeches.

President Kennedy will be more favorable to "big business" in 1962 **only** when he is able to use big business to increase employment. Profit margins will not improve during 1962, although most industries will do better in terms of gross and volume.

Bond prices will not change much during 1962, except in the case of "non-taxables." European investors are buying American stocks and bonds feeling that their money is safer in United States industries and real estate. Even the first mortgage bonds of transcontinental railroads are being bought by Europeans. The manufacturers of West Germany are making huge profits through the use of new machinery and low wages. They are sending their money to the United States to be invested. They seem to prefer suburban real estate, shopping centers, and electric utilities. I hope they are not buying into too many "fly-by-night" new electronic companies.

Buying of Mutual Funds will continue to exceed selling in 1962. Considering that brokers make much more profit by selling Mutual Funds than by selling shares of individual stocks—and considering the thousands of salesmen selling Mutual Funds—this should help stock prices during 1962. Remember that the Mutual Funds operators must go to the New York Stock Exchange to purchase stock to support these Mutual Funds which salesmen are selling in the field.

The so-called "service industries"—including education, beauty parlors, travel, entertainment, and government positions—should prosper in 1962.

Among the fastest growing industries in 1962 will be the plastics and glass industries. These materials will gradually take the place of wood, stone, cement, and even some metals,—except as these are colored. Plastics and glass will become more important building materials and perhaps be used much more for automobiles.

Some unexpected event or discovery will cause the Dow-Jones Industrial Average to sell much higher during the next few years. As an illustration of what one of these unexpected events will be, I mention the polymer developments in chemistry, including "DNA" and "RNA," which may provide the source of life and extend it—yes, perhaps restore it, in special cases.

Attractiveness of Canada

I am bullish on Canada for safe investments during 1962. Canada has a small population of only about 18,000,000, but it is rich in natural resources and has a sound, progressive government. I do not expect a nuclear war to be started by Russia; but if it comes, Canada will be a good place to live and to have your money invested.

South and Central America also have great natural resources; but most of their countries are ruled by selfish dictators. I believe most of our southern neighbors will suffer from serious inflation during 1962 and become a great problem for the United States.

Although the countries of Europe could be the greatest sufferers in case of World War III, the people I meet in Europe fail to realize this. I forecast that they will look at the situation more realistically during 1962.

West Germany is very prosperous; East Germany is in terrible condition. Much unemployment exists in Italy, France, and even Great Britain. I advise against investing money in Europe during 1962.

I am uncertain how to advise about Africa. But it is very rich in natural resources—including gold, diamonds, and almost every metal—as well as having the greatest undeveloped waterpower in the world. Barclays Bank I am personally acquainted with and recommend. Both Barclays and the Standard Bank are owned in England and have a great many branches; the latter has over 850 branch offices in Africa. Readers who are interested in keeping in touch with Africa may secure free of charge the Standard Bank Monthly Review by writing the Standard Bank of South Africa, 10 Clement Lane, London, EC 4. The banking of Northern Africa is controlled by the French. I would advise against putting money into Northern Africa during 1962.

The final result of 1962—whether it will make us a stronger or a softer nation—spiritually, physically, and mentally—depends upon our parents, teachers, preachers, and newspaper publishers. These, and not Russia, hold the future of the United States in their hands.

DEALER-BROKER INVESTMENT LITERATURE AND RECOMMENDATIONS

IT IS UNDERSTOOD THAT THE FIRMS MENTIONED WILL BE PLEASED TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:

Canadian Oils — Review—James Richardson & Sons, Inc., 14 Wall Street, New York 5, N. Y. Also available is an analysis of **Moore Corporation Ltd.**

Capital Goods Industries and 1962 prospects — David L. Babson and Company, Inc., 89 Broad Street, Boston 10, Mass.

Electric Utility Stocks—Analysis —Bache & Co., 36 Wall St., New York 5, N. Y. Also available is a report on **Columbia Broadcasting.**

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Japanese Electronics Industry — Analysis—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y.

Japanese Market — Investment survey — Daiwa Securities Co., Ltd., 149 Broadway, New York 6, N. Y.

Japanese Market — Review — Yamaichi Securities Co. of New York, Inc., 111 Broadway, New York 6, N. Y. Also available are analyses of the **Japanese Vinyl Chloride Industry, Telephone and Telegraph Industry, Ricoh Co., Ltd.** and **Nippon Musical Instruments Manufacturing Co., Ltd.**

Japanese Stocks — Handbook for investment, containing 20 essential points for stock traders and investors — The Nikko Securities Co., Ltd., Tokyo, Japan — New York office 25 Broad Street, New York 4, N. Y.

Over-the-Counter Index — Folder showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 23-year period — National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Review and Forecast for 1962— A look at the market—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Steel — Survey — Shields & Co., 44 Wall St., New York 5, N. Y. Also available is a survey of **Lowe's Companies** and **Pauley Petroleum.**

Total Corporate Impact—Booklet outlining seven key corporate objectives and why it is basic to a company's acceptance and growth in today's economy — Albert Frank - Guenther Law, Inc., (Quentin Smith), 131 Cedar St., New York 6, N. Y.

Transfer Tax Rates—Booklet giving current Federal and State Stock Original Issue and Transfer Tax Rates—Registrar and Transfer Co., 50 Church St., New York 7, N. Y.

Trucking Industry—Memorandum —Courts & Co., 11 Marietta St., N. W., Atlanta 1, Ga.

U. S. Government Bonds—Memorandum—D. H. Blair & Co., 42 Broadway, New York 4, N. Y. Also available is a memorandum on **Fluor.**

Why Investors Look to California —Booklet describing investment opportunities for surplus funds— World Savings & Loan Association, 1926 Wilshire Blvd., Dept. 57-P, Los Angeles, Calif.

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Air Products and Chemicals Inc. —Review—Vanden Broeck, Lieber & Co., 125 Maiden Lane, New York 38, N .Y. Also available is a review of **Southwest Gas Corp.**

Allegheny Ludlum Steel—Analysis—Evans & Co., Inc., 300 Park Avenue, New York 22, N. Y.

American Steel Foundries — Analysis — Colby & Co., Inc., 85 State Street, Boston, Mass. Also available is a report on **McKesson & Robbins.**

Automation Industries, Inc.—Report — Taylor, Bergen, Lynn & Lee, 1830 West Olympic Blvd., Los Angeles 6, Calif. Also available is a report on **Mobile Video Tapes Inc.**

Avco — Memorandum — Paine, Webber, Jackson & Curtis, 25 Broad St., New York 4, N. Y. Also available are memoranda on **North American Aviation, Consumer Power, Whirlpool, Atchison, Topeka & Santa Fe Railway** and **Bucyrus.**

Bauer Aluminum — Analysis— Parker, Ford and Company, Inc., Vaughn Building, Dallas 1, Texas

California Financial Corporation —Analysis—William R. Staats & Co., 640 So. Spring St., Los Angeles 14, Calif. Also available is an analysis of **Pabst Brewing.**

Casa Electronics—Report—Adams & Company, 5455 Wilshire Blvd., Los Angeles 36, Calif.

Castle & Cooke — Report—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available is a list of stocks which should rally after Jan. 1.

Central Soya Company—Survey— Thomson & McKinnon, 2 Broadway, New York 4, N. Y.

Chain Belt Co.—Data—A. M. Kidder & Co., Inc., 1 Wall St., New York 5, N. Y. Also available are data on **Chicago Pneumatic Tool Co., Gardner-Denver** and **Reliance Electric & Engineering.**

Chemetron Corp. — Report—H. Hentz & Co., 72 Wall St., New York 5, N. Y.

Consumers Gas Company—Analysis—Royal Securities Corp., Ltd., 244 St. James Street, West, Montreal 1, Que., Canada. Also available are analyses of **Distillers Corporation - Seagrams Ltd.** and **Southam Co., Ltd.**

Denver Chicago Trucking—Memorandum—Charles A. Parcells & Co., Penobscot Bldg., Detroit 26, Mich.

Discount Stores, Inc.—Analysis— Bohmfalk & Co., Inc., 51 Broad St., New York 5, N. Y.

Dresser Industries—Memorandum —Uhlmann & Co., Inc., Board of Trade Bldg., Kansas City 5, Mo.

Electronics Capital Corp.—Memorandum—Birr & Co., Inc., 155 Sansome St., San Francisco 4, Calif.

Esquire Incorporated—Analysis— Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Fritzi of California Manufacturing Corp.—Analysis—Schwabacher & Co., 100 Montgomery St., San Francisco 4, Calif.

Gamble Skogmo—Analysis—Robinson & Co., Inc., 15th and Chestnut Sts., Philadelphia 2, Pa.

Gibraltar Financial Corporation of California — Analysis — First Cailfornia Co., Inc., 647 South Spring Street, Los Angeles 14, Calif.

Hudson Pulp & Paper — Data— Boenning & Co., Alison Building, Philadelphia 3, Pa. Also available are data on **A. E. Staley, Rudd Melikian** and **United Merchants & Manufacturers.**

Ludlow Corp. — Memorandum— Kidder, Peabody & Co., 33 South Clark Street, Chicago 3, Ill.

Magnetic Controls Co. — Memorandum—C. D. Mahoney & Co., Baker Building, Minneapolis 2, Minn.

Micromatic Hone Corporation— Bulletin—De Witt Conklin Organization, Inc., 120 Broadway, New York 5, N. Y.

Miner Industries—Report—J. R. Williston & Beane, 2 Broadway, New York 4, N. Y.

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Narrow Fabric — Memorandum— Drexel & Co., 45 Wall St., New York 5, N. Y.

Niagara Mohawk Power Corp.— Analysis—W. E. Hutton & Co., 14 Wall St., New York 5, N. Y.

Ohio State Life Insurance Co.— Analysis—Sutro & Co., 9804 Wilshire Blvd., Beverly Hills, Calif.

Olin Mathieson — Memorandum —Pershing & Co., 120 Broadway, New York 5, N. Y.

Outboard Marine—Report—Purcell & Co., 50 Broadway, New York 4, N. Y.

Pabst Brewing Co.—Data—In current issue of "Analysts' Notebook" —F. S. Moseley & Co., 50 Congress St., Boston 2, Mass. Also available are data on **Schenley Industries** and **Universal Consolidated Oil Co.**

Packard Instrument Co., Inc.— Analysis—A. G. Becker & Co., 60 Broadway, New York 4, N. Y.

Radio Corporation of America—J. A. Hogle & Co., 40 Wall St., New York 5, N. Y.

Rath Packing — Memorandum— Sincere & Co., 208 South La Salle St., Chicago 4, Ill. Also available is a memorandum on the **Airline Industry.**

Reeves Soundcraft—Chart Analysis—Auchincloss, Parker & Redpath, 2 Broadway, New York 4, N. Y.

St. Clair Specialty Manufacturing Co. — Memorandum—Walston & Co., Inc., 201 South La Salle St., Chicago 4, Ill.

Seaboard Finance—Memorandum —Diamond, Steckler & Co., 37 Wall St., New York 5, N. Y.

Smith Corona Marchant—Analysis —Arthur D. Dalfen, Box 451, Wall Street Station, New York 5, N. Y.

Southwestern States Telephone Co.—Memorandum—Parker, Ford & Co., Vaughn Bldg., Dallas 1, Tex.

Standard Pressed Steel Co.—Analysis—Bioren & Co., 1424 Walnut St., Philadelphia 2, Pa.

Superback Vending — Memorandum—Cowen & Co., 45 Wall St., New York 5, N. Y.

Syntex Corporation — Report —Richard Ney and Associates, 242 North Canon Drive, Beverly Hills, Calif.

Thiokol Chemical Corporation— Review—L. F. Rothschild & Co., 120 Broadway, New York 5, N. Y. Also available is a review of **Interstate Department Stores.**

Unilever Limited and N. V.—Review—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y. Also available are reviews of **FMC Corp.,** and **Crude Oil Industry** and a memorandum on **Amerada.**

Wallace Investments—Memorandum — Saunders, Stiver & Co., Terminal Tower Bldg., Cleveland 13, Ohio.

White Motor Company—Analysis —Hornblower & Weeks, 1 Chase Manhattan Plaza, New York 5, N. Y. Also available are data on **Union Bag-Camp Paper, Eastern States, Phelps Dodge, Glidden, National Standard, Arvin Industries,** and **Oils.**

R. C. Williams — Memorandum— Hardy & Co., 30 Broad St., New York 4, N. Y.

Zale's Jewelry Co.—Memorandum —Eppler, Guerin & Turner, Fidelity Union Hower, Dallas 1, Tex.

Zale's Jewelry Co., Inc.—Report— Bruns, Nordeman & Co., 115 Broadway, New York 6, N. Y. Also available are memoranda on **I T E Circuit Breaker** and **Standard**

Middle South Utilities, Inc.

By Dr. Ira U. Cobleigh, *Enterprise Economist*

A consideration of one of the nation's major suppliers of electricity, serving an area enjoying a rapid industrial growth rate.

While many investors have been combing the market for issues calculated to produce fat capital gains, and have been moving recently into such new areas as toy and savings and loan shares, they have been overlooking perhaps the steadiest movers on the upside in the entire list — the electric utilities. Several of these issues have more than doubled, in market price, in the past five years, and many have increased their dividends at least six times in the past decade. Some analysts, however, have been suggesting that leading utilities have now attained too exalted price/earnings ratios. Our own view is that, where a continuing rising trend in earning power, in rapidly growing service areas, is solidly in evidence, price/earnings ratios of 25 to 30 for utility equities are quite acceptable. A case in point would seem to be Middle South Utilities, Inc.

Attractive Territory

Middle South Utilities is a holding company serving through four operating subsidiaries a broad geographic area covering about 80,000 square miles in the states of Arkansas, Louisiana, and Mississippi. This region is rapidly converting from a primarily agricultural economy to an industrial one. Cotton remains important. Extensive timberlands (both hard- and softwood), which used to be confined to production of saw timber and fuel, have become increasingly valuable for industrial purposes. Millions of cords of small logs now feed the many pulp and paper mills which have located in the region in recent years; and timber supplies the base for expanding wall board, plywood and veneer production, and for textile mills producing acetate and rayon. All of these milling operations are, of course, heavy and increasing users of electricity.

Mineral resources are of great importance. The service area of Middle South Utilities ranks first nationally in the production of bauxite, second in production of natural gas and petroleum and fourth in salt. The development of these resources has resulted in the location in this dynamic region of major oil refining, aluminum processing, and chemical plants—all big and avid users of electric current.

Louisiana is blessed with a splendid water supply and low cost water transportation. Oil reserves of nearly five billion barrels are supplemented by stores of sulphur, salt, silica sand, lignite and iron ore.

Arkansas has experienced an outstanding postwar growth and is rapidly attracting new industrial installations. Mississippi now has over 2,800 oil wells, is the leading Southern timber state, has developed agricultural output in soybeans, rise, corn, cotton and cattle and vast undeveloped deposits of iron ore.

So we view here a territory of great attraction and promise—four million people in 1,800 communities served by a utility system which has steadily built up its generating capacity to accomodate a steep rise in demand, and has been most hospitable to new industries in its orbit.

At the time in the 1930s when many utility holding company systems were broken up, certain ones, whose subsidiaries served connected and integrated geographic regions, were permitted to continue, among them Middle South Utilities. Its operating subsidiaries include Arkansas Power and Light, Louisiana Power and Light, Mississippi Power and Light and New Orleans Public Service companies. Together these units now have an electric production capacity of 3,347,000 kilowatts and will sell about 11 billion kilowatt hours this year.

Expanding Revenues

Operating revenues of the system have risen steadily from $159.5 million in 1956 to $214.6 million for 1960. In the same period residential use of electricity in the territory has increased 89.6% and use per residential customer, 64.5%. Middle South ranks among the fastest growing major electric companies with a growth rate in this five-year period of 7%, compounded annually. Ninety percent of its business is from electricity, 6% from gas and 4% from transit. By states, Middle South receives 50% of its annual revenues from Louisiana and importantly from New Orleans, the leading gulf port and one of the nation's major industrial and transportation centers. Arkansas contributes 32%, Mississippi 18% to the total income.

Capitalization

Middle South Utilities Inc. has a well-balanced financial structure: $376.5 million in long-term debt, $76.26 million in preferred stock, a minority interest of $1.5 million and 16,750,000 shares of common listed on the New York Stock Exchange. In the five-year period 1956-60 the company has increased its per share net from $1.09 in 1956 to $1.50 in 1960. Dividends have been increased in every year, from 80 cents in 1956, to the current rate of $1.06. There was a two-for-one stock split in 1960. The return on the common equity was 10.2% in 1960 against 9% in 1956.

Over this same five-year period, Middle South has laid out $320 million in capital expansion and improvement, most of which was financed internally, with only $125 million in new financing required. The 1961 construction budget was $70.5 million; and the one for 1962, $65 million.

Regulatory Climate

One of the important things to look at in any utility is the regulatory climate under which it operates. Both Louisiana Power and Light and Mississippi Power and Light are now earning 6% on over-all capitalization; and Arkansas Power, and New Orleans Public Service, only a little less. This would indicate fair treatment by Public Service Commissions, and creates the proper background, respecting earning power, for the heavy capital investment outlined above.

For 1961 we would expect a per share net of about $1.55. On this basis Middle South Utilities common sells at 24 times earnings and holds forth the prospect of continued increases in cash dividend distribution. Moreover, 24 times earnings does not seem too high a price to pay for an equity growing at such pace, and serving so burgeoning a territory.

Something should be said about management here. In the industry, the company is highly regarded in this particular. The operating units are headed by relatively younger men (only one over 60), who have been identified, and grown up, with the system for most of their business lives. Together they have, on the record, done a splendid job in capacity expansion, cost controls, building up of industrial and residential sales, and the creation of a sound and attractive financial structure.

So as you start planning for additions or changes in your investment portfolio for 1962, may we suggest that (1) you consider the electric utility shares as a worthy medium for some of your funds and (2) you get the full details about Middle South Utilities Inc. as an issue, not unattractive in today's market, and probably a rewarding one for long term holding?

R. D. White & Co. Admits Maspero

R. D. White & Co., 120 Broadway, New York City, specialists in New York State, general market, housing and revenue bonds, have announced that Charles H. Maspero has been admitted to general partnership in the organization. He is sales manager of the tax-exempt bond firm.

Charles H. Maspero

Mr. Maspero was previously with Hemphill, Noyes & Co. prior to joining R. D. White & Co. in 1955.

S. D. Fuller Co. Admits Two

Thompson D. Berry II and Ronald W. A. Cooper will be admitted as general partners of S. D. Fuller & Co., 26 Broadway, New York City, effective Jan. 1, 1962, it was announced by Stephen Dow Fuller, senior partner.

Mr. Berry, who has been associated with the buying and new business department, joined the firm in 1958.

Mr. Cooper has been Manager of institutional and retail sales and will become partner in charge of that department. He joined S. D. Fuller & Co. in 1959. Prior to that time Mr. Cooper was associated with W. E. Hutton & Co. in the sales department from 1946 to 1959

Conroy Joining W. E. Hutton

CINCINNATI, Ohio—W. E. Hutton & Co., members of the New York Stock Exchange, announced that Thomas M. Conroy will join the firm on Jan. 2, 1962, and make his headquarters in the company's Cincinnati office, First National Bank Building.

Mr. Conroy was formerly Senior Vice-President and director of The Central Trust Company.

Named Director

Lawrence S. Warren, Vice-President of Reynolds & Co., Inc., has been elected a director of Strategic Materials Corp., it has been announced.

Mr. Warren, whose entire business life has been spent in the securities field, has been with Reynolds since 1943. Prior to joining Reynolds, he was Vice-President and Director of the firm of Rambo, Keen, Close & Kerner. He has also held positions with Battles & Co. and Halsey Stuart Co.

Joins McDonnell & Co.

(Special to The Financial Chronicle)

DENVER, Colo.—James H. Quinn, Jr. is now with McDonnell & Co. Incorporated, Tower Building. He was previously with Lowell, Murphy & Co., Inc.

Morgan Stanley Partner Changes

Perry E. Hall

Francis T. Ward

W. D. Mulholland, Jr.

William H. Sword

Perry E. Hall and Francis T. Ward will retire as General Partners of Morgan Stanley & Co. 2 Wall Street, New York City, effective Jan. 1, 1962, and will continue with the firm as limited partners. At the same time William D. Mulholland, Jr. and William H. Sword will be admitted as General Partners.

Mr. Hall, who was one of the original officers and directors of Morgan Stanley & Co., Incorporated when the firm was founded in 1935, has long been prominent in the investment field. He was graduated from Princeton University in 1917 and served in the field artillery in World War I as a Captain. In 1919 he joined the staff of Guaranty Trust Company of New York, transferred to Guaranty Company of New York in 1920 and became an Assistant Vice-President in 1925. He moved to J. P. Morgan & Co. as co-manager of the bond department in 1925 and to Drexel & Co. in 1930, becoming a Partner in 1931. Mr. Hall resigned from Drexel & Co. in 1935 to become a Vice-President of Morgan Stanley & Co., Incorporated when the firm was organized. When the Partnership of Morgan Stanley & Co. was formed in 1941, he became a General Partner.

He served as Executive Manager of the Victory Fund Committee of the Second Federal Reserve District in 1942 and 1943. He is a Trustee of Princeton University. He is a member of the Advisory Council and former Governor of the Bond Club of New York and a former Governor of the Investment Bankers Association of America and the National Association of Securities Dealers, Inc. He is a former Treasurer and Trustee of the Seeing Eye, Inc., a former Treasurer, Chairman of the finance committee and Director of the United Hospital Fund of New York, and a former member of the finance committee and director of the Beekman-Downtown Hospital.

Mr. Ward, a graduate of the University of Chicago, joined the Harris Trust and Savings Bank in 1915 and served in the U. S. Army in 1917 and 1918 as a Captain. He joined the bond department of J. P. Morgan & Co. in 1920; was a co-manager from 1925 until 1935 when he joined Clark, Dodge & Co. as a General Partner. He was Vice-Chairman of the Victory Fund Committee in 1942 and 1943. He became a General Partner of Morgan Stanley & Co. in 1943.

Mr. Ward is a Director of the Scovill Manufacturing Company and the Yale and Towne Manufacturing Company, a former Governor of the New York Stock Exchange and the Investment Bankers Association of America, and a Past President of the Bond Club of New York.

Mr. Mulholland was in the United States Army from 1944 to 1946, was graduated from Harvard College in 1950 and the Harvard Business School in 1952. He joined the staff of Morgan Stanley & Co., in 1952.

Mr. Sword, who served in the United States Armed Services from 1942 to 1946, was graduated from Princeton University in 1948. He was a member of Princeton's administrative staff until 1954 when he became associated with Morgan Stanley & Co. He is a member of The Board of Pensions of the United Presbyterian Church in the United States of America.

Joins W. E. Hutton & Co.

MANSFIELD, Ohio—Theodore Uehling has become associated with W. E. Hutton & Co. Mr. Uehling was formerly with Central States Investment Co.

With Goldman, Sachs

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — Lawrence F. Zant is now with Goldman, Sachs & Co. He was formerly with Smith, Barney & Co. in New York City.

Eastern Seaboard Secs.

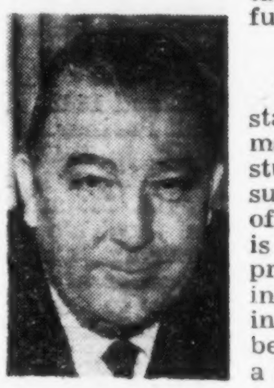
Eastern Seaboard Securities Corporation is conducting a securities business from offices at 350 Fifth Avenue, New York City.

A National Fuels and Energy Study Is Essential

By Hon. Jennings Randolph,* *U. S. Senator (D.-W. Va.)*

Senator discusses various considerations he hopes will prevail in the course of the recently authorized Senate study of fuels and energy. Why such a study is needed and what should be studied make up Senator Randolph's brief for obtaining the facts to formulate a coherent and national policy on our fuel and energy uses. In stressing the importance of identifying and keeping the most efficient and economic regional fuel consumption and energy utilization patterns, Senator Randolph makes clear we no longer can afford wasteful and short-sighted fuel development through unbridled competition.

One cannot say that we now have a national fuels policy in any coherent or meaningful sense of that term, and my own crystal ball is a bit clouded concerning what the policy will be when one is formulated and implemented.



Jennings Randolph

I am very pleased to report, however, that we are now initiating a national fuels and energy study under the direction of the Senate Committee on Interior and Insular Affairs. It was with full acknowledgement of the responsibility of the position that I received notice in September of 1960 of my appointment by the Vice-President as one of the three ex-officio members added to the committee for purposes of rounding out the study committee—the other two being Senators Norris Cotton of New Hampshire and Clair Engle of California. The Senate adoption of the Resolution authorizing this inquiry, which I introduced with 62 co-sponsors from both parties is the culmination of several years of bipartisan efforts.

What Will Not Be Studied

This is an immensely complex subject, involving the fundamental base and the long-term development of the American economy, but before discussing the objectives of a national fuels and energy study, I would first state what they are **not**.

The purpose of the proposed study is not—either in my view or in that of any of the 62 co-sponsors—to lay the foundation for a policy which would establish an unjust advantage for the coal industry.

It is not for the purpose of "legislating away the freedom of choice" of the consumer.

Nor is it the intent of those who advocated the projected study to lay the foundations for a national fuels policy—"with the avowed objective of imposing end-use controls on fuels"—to use the language of one of the more articulate critics of the action.

The proposed national fuels and energy study has been most vigorously opposed by some spokesmen in the oil and natural gas industries, their strongest positive argument being that no shortage of fuels exists now, nor is one expected in the determinate future. In the language of Morgan J. Davis, president of Humble Oil and Refining Company when he testified before the Senate Interior and Insular Affairs Committee.

"It seems evident . . . that we are not confronted today with any present or immediately prospective shortage of liquid petroleum and natural gas. On the contrary, our productive capacity is at an alltime high. No crisis threatens with regard to supply. Our resources are such that, given the proper incentives, we should be able in the future to count on the continued availability of adequate supplies.

"It is obvious to me, therefore, that there is little reason to undertake a study of the whole field of fuels and energy at this time. . . ."

Defends Study

The basic assumption of this statement, and also of the views of most of those who oppose the study, is that there is no need for such an inquiry unless a shortage of fuels exists. I suggest that this is a gross oversimplification of the problems confronting this country in relation to the fuels and energy industries, some of which have been created by the very fact of a fuels surplus. It should come as no novelty to a nation which has for years wrestled with the persistent problem of agricultural surpluses that an "economy of abundance" in fuel also can generate problems which require for their solution an overall national policy.

It has also been stated by the opponents of this inquiry—and I again quote Mr. Davis—that "We have always had a national policy applicable to fuels and energy as to all other commodities. This policy is based on encouraging and preserving a dynamic, competitive, private enterprise."

This is not a statement or description of a policy, but a commitment to an economic philosophy. I too share this commitment to a "dynamic, competitive, private enterprise" system, but after that is said there is a wide range of choice in determining the means and methods by which this system will best be "preserved and encouraged." And this is a question of policy formulation. There are indeed a host of specific policy questions — some of which I will mention — that are not addressed by the broad rhetorical and philosophic statement of Mr. Davis.

It is my contention, and that of many of my Senate colleagues, that the Congress does not at present have sufficient facts and knowledge of the fuels and energy industries to answer these questions or to enact the kind of legislation that would implement a national policy on fuels and energy.

Stated solely in terms of the quantity of our fossil fuel reserves, there is no need for another study. The proven reserves of oil and natural gas in the United States are estimated at 31.5 billion barrels of oil and about 265 trillion cubic feet of gas. In relation to production rate, this amounts to approximately 12 or 13 years of current production of oil and about 20 years of current production of natural gas.

These figures, however, refer only to reserves recoverable at present prices and under existing technology. They are, as one expert witness before the Senate hearings phrased it, "a working inventory of natural endowment of materials." The latter, that is, the total amount of probable reserves, is inferred from geological evidence. This is estimated by Samuel Schurr of Resources of the Future, Inc., to be on the order of 500 billion barrels of crude oil available for future recovery in the U. S. and roughly 1,200 trillion cubic feet of natural gas. At the consumption rate projected for 1975 of 5.2 billion barrels of oil and approximately 20 trillion cubic feet of gas, these reserves would last 95 years respectively.

Based on the most recent estimates of the U. S. Geological Survey, the supply of coal is, for all practical considerations, virtually inexhaustible. Estimates place our total coal resources at approximately two trillion tons, of which the U. S. Geological Survey considers almost one trillion as recoverable—enough to last 2,000 years at current production rates.

Thus, as Mr. Schurr stated before the Senate Interior Committee, ". . . decisions concerning energy policy questions, such as those with which the Congress and the executive branch of the Government must deal, can be made in an atmosphere which is not charged with apprehension about the country's ability to meet its future energy demands." But I would emphasize that Mr. Schurr did **not** say that for this reason we need no consciously formulated overall policy.

Shift to Energy-Importing

Despite these tremendous reserves in all the fossil fuels, we have become "an energy-importing Nation"—to use the phrase of Secretary of the Interior Udall. That is, we import more fuel than we export. Now, I am not sufficiently versed in the financial and investment intricacies of the international oil industry to explain this phenomenon. But I do know that it has serious implications toward a national fuels policy—especially in view of the economic and political penetration by the Soviet-Sino bloc in those areas of the Middle East and Latin America which supply so much of the free world's oil.

Our position as an energy importing country must also be viewed in the light of the increasing demands for oil in the free world outside North America, and particularly in the underdeveloped nations. In a survey of world oil published in *The Economist*, August 19 of this year by Walter Levy, one of the leading international oil consultants, it is stated that

"Over the next fifteen years . . . oil consumption outside North America could mount at the rate of perhaps 7.5% per annum. Together with North American consumption this would mean free world oil requirements of around 2 billion tons a year by 1975, against about 900 million tons now."

With such fuel and energy demands as these, existing in an uncertain and threatening international climate, it is extremely short-sighted, to say the least, for us to foster an increasing dependency upon external sources of supply. Especially is this so when it contributes to a declining activity in domestic oil exploration. In a letter addressed to Secretary Udall, of which I was one of 27 Senate co-signers, we stated that the number of drilling rigs active in 1960 was at a 14-year low, with the trend continuing in 1961; the total wells drilled in 1960 were at an 8-year low; and as of the late spring of 1961 the number of wildcat wells drilled was 7% below that of 1960, which rate was 26% below the rate of 1956. This is the condition to which the "free play of economic forces" and our haphazard fuel marketing methods have brought the domestic oil exploration industry. I suggest that this is not a healthy state for an economy which is placing ever-increasing demands upon the fuel and energy industries.

According to the authoritative study of Samuel Schurr to which I have already referred, projections for the period from 1955 to 1975 indicate that we will witness an increase in bituminous consumption from 431 million tons to 754 million tons, or 74.9%; in crude oil, from 2,774 million barrels to 5.154 million barrels, or 85.8%; in natural gas, from 9,614 billion cubic feet to 19,831 billion cubic feet, or 195.8%; and from all sources the consumption of electricity is estimated to increase from 633 billion kwh to 1,966 billion kwh—for an increase of more than 210%.

Can't Grow Like Topsy

In an overmore complex and interdependent economy we cannot allow the fundamental base of our economy—the fuels and energy industries — to grow like Topsy, without regard for the relationships among the various segments of the economy.

Since the mid-19th Century America has undergone two almost complete transformations of our energy base, first, from wood to coal, and more recently, from coal to oil and natural gas. The first transformation, achieved in a decentralized and predominantly agrarian economy, was conducted with relatively little dislocation in our economy. This cannot be said for the transition from coal to oil and natural gas. The chronic unemployment in many areas of the coal producing states of West Virginia, Pennsylvania and Kentucky, among others, and the financial distress of our coal hauling railroads are but two of the problems created by a technological transition for which we were ill-prepared by the absence of a national fuels policy.

I most assuredly do not imply that such a policy would impede technological development, or that it would seek to impose restrictions on energy consumption in one region in order to promote the fuel production of another region. Rather, the value of a national fuels and energy policy, in this context, is that it would enable us to see the direction our economy is taking and to make the necessary economic and social adjustments.

We will, in the next four decades, witness a further transformation of our energy base with the introduction of nuclear power. Philip Sporn, President of American Electric Power Co., has made an intensive study of our energy requirements for this period, and estimates that by the year 200, we will have an energy demand equivalent to 4,000 million tons of coal, of which 40% will probably be converted to electricity, and some 50% of this amount will be generated by nuclear power. Thus, although our principal source of energy then will continue to be the fossil fuels, nuclear power will supply approximately 20% of the total, or almost half the amount of our total energy production today.

The complex pattern of private, public and co-operative ownership in the electrical power generating industry, and the development of the most efficient regional and national balance of energy sources in the coming decades demand nothing less than a national policy on fuels and energy. The impelling need for a national fuels and energy policy has been indicated, and yet in none of this discussion have I referred to the impact of technological developments within the fossil fuel industries themselves—factors which also have important implications for such a policy.

Technological Impact

Some of the most important of these developments were initiated by the Synthetic Liquid Fuels Act of 1944, of which I was the co-sponsor, as a member of the House of Representatives, with Senator Joseph O'Mahoney. In response to the heavy wartime demands for liquid fuels, and the interdiction of much of our supply by the Nazi submarines, Congress enacted this legislation to authorize the Bureau of Mines to conduct an extensive research and development program to establish methods for the production of oil from coal and shale. Despite the fact that a well-advanced but pre-commercial technology had already been achieved in oil production from both coal and shale, the early Eisenhower Administration made the shortsighted and—in the words of former Senator O'Mahoney, when he spoke to me of it recently—the "tragic decision" to discontinue this program. Under a national fuels and energy policy, it would be my hope that these projects would be reappraised and that Federal effort would be exerted in extending research and development in these fields in concert with the overall perspective of our energy base.

Another technological advance of great potential significance lies in the gasification of coal. In January of last year, Fred A. Otto, manager of the Belle plant of E. I. du Pont de Nemours & Co. in West Virginia, stated that the day will come when West Virginia will be piping gas back to Texas. With the eventual depletion of natural gas fields, Mr. Otto envisages the piping of gas produced from coal, which he claims could be made a much cleaner and more volatile fuel than the natural gas.

These are but a few of the areas of research that might be greatly advanced by a vigorous and positively oriented national fuels and energy policy. And I am confident that one with technological training in this field could offer many more exciting prospects.

Regional Utilization Patterns

Another aspect, and perhaps one of the most politically sensitive features of a national policy, is the need to implement the conception of regional patterns of fuels and energy utilization. In the April 10, 1961 issue of *Electrical World* there is a concise regional survey indicating the consumption ratio of oil, gas and coal by the electrical utilities in the nine geographic regions. It seems to me that a national fuels and energy policy would seek to achieve the most efficient and equitable balance among and within the regions while still not infringing upon the freedom of choice of the consumer.

I have in mind, for example, the sometimes limited provincialism of those from coal producing states who would deny electrical generating equipment to the Hanford reactor plant in the **power-needy** state of Washington because it would "compete with coal." The Pacific Coast is a gas and oil and hydropower region, and it is absurd and wasteful to deny electrical power generating facilities to the Hanford plant on the grounds of some presumed competition with coal.

These are but some of the considerations which I hope will be held in view in conducting the Senate study of fuels and energy. It would be my further hope that this study will provide the foundation for a national policy—which will place the national interest over that of any section of the country or segment of the fuels and energy industries—which will place the Federal effort behind neglected areas of research and development — which will give adequate consideration to energy deficient regions—which will provide equitable incentives to insure the adequacy of energy supplies now and in the future—which will maintain a proper balance between small and large producers —which will assure the optimum utilization of advances in transmission and generating technology by electric energy systems and subsequent low-cost energy to the consumer — and finally I would hope that we will adopt a national fuels and energy policy that will cause our children and grandchildren to be grateful for the prudent and farsighted stewardship of their elders in dealing with the vast resources of this bountiful land.

Report on Inspection Trip Abroad

A report will be issued shortly by the Senate Committee on Pub-

lic Works concerning industrial and hydroelectric power developments in Norway and Sweden.

This report is based on inspection trip findings of a delegation of members and staff assistants of the Public Works Committee during the July 4th recess period. I was privileged to participate.

Our trip to the Scandinavian countries was arranged primarily because the natural conditions in Scandinavia are very similar to those of the State of Alaska.

The Committee on Public Works has authorized a study of a hydroelectric power project at the Rampart Canyon site on the Yukon River in Alaska.

Alaska, Norway, and Sweden each has large hydroelectric power potentialities. We found that Norway and Sweden have proceeded at a high rate in the development of hydroelectric power. But we know that such development in Alaska has lagged.

In our letter of transmittal of the report on our findings in Norway and Sweden, we pointed out to the Chairman of the Public Works Committee, Senator Dennis Chavez of New Mexico, that Norwegian and Swedish waterpower constitutes one of the greatest natural resources of those countries. In fact, their waterpower is the foundation of their industrial activity. It has enabled both countries to exploit their vast timber and fishery resources, and to expand their industrial production, primarily in the fields of electrochemical and electrometallurgical processing and electrification of railways.

Waterpower in the Scandinavian countries likewise has enabled them to procure, at a reasonable cost, large amounts of electric energy for lighting and cooking, and to an increasing degree for space heating, and to provide relief in the daily work in the homes and on the farms through the use of labor-saving machines.

Of course it is apparent that what I am saying about the development of hydroelectric energy in Scandinavia can be said with respect to the use of our waterpower resources in the Pacific Northwest of our own country. And it can be said about the important combination of waterpower and steampower to produce large quantities of electricity in the TVA area.

Coal and Electricity

Being a Senator representing a coal producing State, I point with equal emphasis to the vast supply of electric energy produced in the East and the heartland of America from steampower developed through the burning of coal under power plant boilers.

The slogan, "Coal by Wire," meaning electric power generated from steam through the burning of coal in giant boilers, is really meaningful; and it is much more than a mere slogan. It is a fact—an accomplishment—and a very vital one to the coal industry in this country.

Speaking as a Senator from a State in the Appalachian region, I point out that our region has made vast contributions to the national defense and to the industrial and economic growth of America. We will remain alert and progressive. We will not oppose progress, but we will resist efforts to deny us our fair share of the utilization of and markets for our rich heritage of natural resource fuels.

Earlier this year the West Virginia Public Service Commission approved an application filed by the Virginia Electric and Power Company to build a one-million kilowatt steam electric generating station on Stony River in Grant County, West Virginia. It will open up a new coal producing area, will develop a new lake which will have utility in connection with the power generation and, at the same time, will prove to be a real tourist attraction.

During the recent Scandinavian visit with my colleagues of the Senate Public Works Committee, I remarked to a number of Swedish and Norwegian officials and industry representatives about this unique arrangement whereby a utility in one state has been authorized to construct generating facilities in our State for transmission to others. They were singularly impressed and expressed a keen interest in this application of "coal by wire."

But whatever the fuel and energy source from which electricity is developed and marketed, we know that there is still much pioneering and researching underway in the United States and throughout the world in this vital field of activity. Even in this generation, and especially within the past decade, we have seen vast improvement in the efficiency of electricity production. International competition is developing in the methodology of electric power transmission, especially in long lines transmission.

In our Scandinavian visit, we were particularly impressed by the progress in those countries in the construction of underground power facilities for economical and defense reasons; the transmission of power at high voltages over long distances; and the underwater transmission of electric energy.

*An address by Sen. Randolph before the Fifth Electrical World Electric Heating Conference, New York City.

Named Director

William J. Hammerslough, a partner of Lehman Brothers, has

W. J. Hammerslough

been elected a director of Edison Brothers Stores, Inc., (St. Louis, Mo.), it was announced by Harry Edison, Chairman of the Board, and Irving Edison, President.

Elected Director

James E. Madden, director and vice-president of Schroder Rockefeller & Co. Incorporated, New York City investment banking firm, has been elected a director of Piggly Wiggly Southern Inc., supermarket grocery chain with headquarters in Vidalia, Ga.

Form Diversified Church Financing

(Special to The Financial Chronicle)

GARDEN GROVE, Calif.—Diversified Church Financing and Building Service is engaging in a securities business from offices at 12112 Brookhurst. Partners are Charles L. McClain, W. Caswell Bryant and Gabriel R. Guedj.

Continental Income Branch

ROCHESTER, N. Y.—Continental Income Planning, Inc. has opened a branch office in the Sibley Towers Building under the direction of Amiel J. Mokhiber.

With Schmidt, Sharp

(Special to The Financial Chronicle)

DENVER, Colo. — Kenneth E. Stephens has become associated with Schmidt, Sharp, McCabe & Co., Inc., 1717 Stout Street. He was formerly cashier for A. L. Greenberg & Company.

Smith, Barney Sponsors Program

Smith, Barney & Co., members of the New York Stock Exchange and other exchanges, is sponsoring a special New Year's night musical program on WQXR and the QXR network of eleven stations. The program, "A Musical Review of 1961," will be from 8:05 to 10:00 p.m. (EST) on Monday. Smith, Barney regularly sponsors "Music Magazine," an hour-long Monday night show on WQXR, and is expanding the program to two hours on New Year's night.

In "A Musical Review of 1961" the distinguished conductor Erich Leinsdorf and WQXR Music Director Abram Chasins will discuss the musical milestones of the year and illustrate their opinions with appropriate music. A climax to the Musical Review will be the first performance in New York of the Agnus Die of Schubert's Mass. The recording, made in Berlin and as yet un-released, features a chorus made up of East and West Germans. The basis for its performance on this program stems from the discussion of Liszt as an innovator, and Erich Leinsdorf's complaint that major musical organizations do not pay enough attention to choral works of the masters.

NYSE Members to Vote on Bldg. Plan

The Board of Governors of the New York Stock Exchange has approved and forwarded to the membership for a vote an amendment to the Exchange's Constitution that would be required to implement a financing plan for new Stock Exchange building facilities.

The amendment—involving increases in members' dues and initiation fees and allocation of money accumulated in the membership (seat) retirement fund — would make it possible for the Exchange to begin raising part of a $29 million cash fund to be accumulated over a five-year period for initial financing of new facilities. The financing plan was proposed last month by a special committee of Exchange members and allied members and unanimously endorsed by the Board of Governors.

The Exchange's 1,366 members will ballot on the amendment by mail and in person from today through 3:30 p.m. Jan. 4. The change would:

Raise the Constitutional limitation on annual membership dues from $1,000 to $1,500, and the initiation fee paid by a person becoming a member from the present $4,000 to $7,500.

Credit the Membership Retirement Account started by the Exchange in 1953 to the capital investment account of the Exchange on termination of the present membership retirement program on March 31, 1963, and delete references to the program from the Constitution after that.

The last change in annual membership dues was a downward revision in 1942. Initiation fees have been unchanged since 1920.

The amounts involved in the proposed Constitutional amendment would make it possible to raise about $7.6 million of the proposed $29 million cash fund. If the amendment is approved, the balance of the fund would come from an appropriation from Exchange surplus ($5,500,000); sale of present properties (approximately $10,000,000); appropriations from annual revenues (approximately $4,650,000); and additional charges to members for floor facilities and registration fees ($1,660,000). The difference between the cash fund and the total cost of a new building project, estimated at between $50 million and $78 million, would be financed.

With William R. Staats

(Special to The Financial Chronicle)

BURLINGAME, Calif. — John R. Hedelund has become associated with William R. Staats & Co. Mr. Hedelund was formerly local manager for Hooker & Fay, Inc.

Joins Kleiner, Bell

(Special to The Financial Chronicle)

BEVERLY HILLS, Calif.—Samuel Swimmer has become associated with Kleiner, Bell & Co., 315 South Beverly Drive. Mr. Swimmer has recently been with Walston & Co., Inc. In the past he conducted his own investment business in Beverly Hills.

Henry, Franc Co. To Admit Two

ST. LOUIS, Mo.—Henry, Franc & Co., 308 North Eighth Street, members of the New York and Midwest Stock Exchanges, on Jan. 1, will admit Terry Franc and Paul Pollock to partnership. Mr. Franc is in the firm's trading department.

Form Aries-Neidich Assoc.

YONKERS, N. Y.—Aries-Neidich Associates has been formed with offices at 1710 Central Park Avenue to engage in a securities business. Partners are Ernest J. Aries and Henry K. Neidich.

Money Alone Cannot Assure A Nation's Economic Growth

By Robert L. Garner,* *Former President, International Finance Corporation; President of the Japan Fund*

Noted world financial official's valedictory address contains for the most part his personal, penetrating views on the underdeveloped countries' responsibility for failing to progress. After explaining the IFC's new departure into equity financing, and the admitted responsibility on the part of richer countries to help their poorer neighbors, Mr. Garner asks that the facts realistically be faced as to the extent to which the poorer countries' poverty is their own fault. The stubborn core of the problem is said not to be geography, natural resources or even capital but to be the differences in people—their thinking and methods, ideas and habits. And so long as they operate to mitigate against progress, "large injections of capital . . . can cause more harm than good" and foreign aid becomes an excuse for not bringing about the domestic condition for development. Mr. Garner is not opposed to aid but to sentimentally injecting more than can be properly used. Going by his experiences, he lays down certain requirements essential to economic growth for both recipient and assistive countries, and private business.

The past year has been an important one for IFC. The amount of new investments was somewhat lower than in the previous year, although in the past few months we have made the largest commitments for any similar period.

Robert L. Garner

But I consider more important several new developments. We have made the first sales of entire investments out of portfolio, in line with our basic purpose to help enterprises get started and then sell to private investors — thus revolving our funds. The three sales were on terms providing a satisfactory profit.

We have recently made commitments to provide equity-type capital to two private financial institutions in Colombia. This will enable them to expand their investment activities over a broadening range of local enterprises—chiefly smaller and medium size concerns, which it is impractical for IFC to finance directly.

Another quite different operation is a commitment of $3 million in a $72 million petrochemical complex in Argentina. Organized and largely financed by a group of important United States industrial companies and American and European investment institutions, IFC was invited to provide the small balance of funds needed to conclude the transaction.

These variations from the corporation's usual type of investment and to the flexibility with which it seeks to supply the diverse needs of private business.

We have during recent months completed two studies, in Iran covering the potentials for enterprises in the chemical field and in Venezuela in meat packing. We shall seek potential sponsors and be prepared to assist in financing if sound projects can be worked out.

Allowing IFC to Invest in Equities

Probably the year's most significant event for IFC is the change in its Charter permitting investment in equities.

After four years of experience, I proposed this change at the annual meeting last year. By Sept. 1 the change was authorized by the required number of member countries, with no adverse votes.

The purpose of this change is to enable the corporation better to provide various types of investment funds, and in easily understood and simplified form.

Our experience indicates the greatest need of the type of customers with which we deal is for equity capital. It has always been the seed corn for development of private business in the industrialized countries, with borrowed funds as a secondary supplement. Only in recent years and in the developing areas has the practice grown to place main reliance on borrowing. This is largely due to the fact that most public financing agencies supply only loan funds, and at low rates.

Thus businessmen are encouraged to launch enterprises with excessive debt, often of short term and heavily in foreign currencies. This frequently leads to trouble.

My 40 years of financial and business experience makes me an advocate of prudent financial structures. I, therefore, see great importance in IFC's new right to provide and stimulate the flow of equity capital.

Many are well aware of my strong convictions against public ownership of business. However, IFC intends to be merely an interim instrument for holding shares, pending the opportunity to sell them to private investors, which it has the mandate to do. The corporation will continue to follow the policy of not participating in the management of enterprises in which it invests, and it undertakes to forego the ordinary voting rights of private shareholders.

One of the most important activities made possible by this Charter change will be IFC's ability to assist in spreading share ownership in the developing countries. By underwriting or providing stand-by commitments it can provide facilities, often lacking, for the growth of capital markets. The ability to draw capital from large numbers of people is a necessary element for sustained growth of modern business. It is the basis of people's capitalism.

All in all, I believe that this year's developments give promise for increasing activity and usefulness for the corporation.

Personal Credo on Foreign Aid

It is, I believe, accepted practice that in turning over command one is entitled to a valedictory. Mine shall be some personal comments on this business of economic development. And now I speak as an individual, not in my role as an official of an international organization. Since I have spent years working in this field, it is not necessary to assert my belief in its importance, nor my sincere interest in the developing countries. I trust, therefore, that you to whom I speak may bear in mind the saying, "Let not him who is my friend speak only in soft words to tell me of pleasant dreams."

We need to keep in mind two significant developments in the postwar world.

First, the spreading realization that no nation can today walk alone;

Second, that for the first time those countries which have achieved a more abundant life have accepted responsibility to assist their poorer neighbors to improve their economic lot.

Thus the less developed countries have the unique opportunity to draw on the fruits of centuries of experience, organization and technology in economic progress. They have the goodwill and support of the powerful free nations.

But I am troubled by the extent to which there is growing up the insidious consequences of too great reliance on foreign aid. Everyone repeats the platitudes that each country must be primarily responsible for its future and that others can only supplement its own efforts. Nevertheless, there are too many instances where the obvious attitude is that the chief responsibility of a government is to secure the maximum help from abroad, with lesser responsibility to mobilize its own resources, and to take action so that all resources are most effectively applied, and that internal conditions which hinder development are improved.

Probably the most important economic problem in the world is how the great areas with low productivity and standards of living can move steadily toward the levels achieved in North America and Western Europe.

If, working together, the richer and poorer countries are to make substantial progress to this end, it will require an honest facing of the facts. We certainly need to understand why certain countries have achieved a high degree of economic development and others have not. If we fail to understand the problem, how can we hope to solve it?

Why Nations Presumably Are Underdeveloped

Let us briefly examine some of the frequently cited causes of underdevelopment.

It is often claimed that geography and natural resources are determining. They are of course important, and extreme conditions may inhibit any worth-while economic activity — such as in the polar regions or utter deserts. But resources lie inert and have no economic worth except as people bring them into use.

It is easy to attribute the progress of the United States to its wide expanse and abundant physical resources. However, other areas—in Latin America, Africa, Asia — have comparable natural wealth, but most of it is still untouched.

On the other hand, there are countries in Western Europe with limited fertile land and meager mineral deposits, yet they have achieved high levels of economic life.

There appears to be only limited relation between resources and development.

Perhaps most often lack of capital is blamed. Let us take a look at this. In the first place, there is in most developing countries more potential capital than is admitted. But large amounts are kept outside, because of political instability and depreciating currency at home. Or it is invested in often unproductive land, low priority buildings, or otherwise hoarded. From the standpoint of development it is sterile.

The wide acceptance of the assumption that lack of development is primarily due to shortage of capital has led the United States and other richer countries to provide billions in loans and grants. Over the postwar period immense sums have been made available to the developing areas. Some of these funds have been well applied and have produced sound results, others have not. However, to most of the recipient countries the amounts are never sufficient. In my opinion they never can be, because money alone accomplishes nothing. It is only a tool, and what it produces depends not on how much, but on how it is used. If it is applied to uneconomic purposes, or if good projects are poorly planned and executed, the results will be minus, not plus. The effective spending of large funds requires experience, competence, honesty and organization. Lacking any of these factors, large injections of capital into developing countries can cause more harm than good. The test of how much additional capital is required for development is how much a country can effectively apply within any given period, not how much others are willing to supply.

It is popular in many quarters to charge colonialism with lack of development in territories which have been dependent. This argument seems less persuasive when we observe that a number of countries which have been their own masters for long periods are no further advanced.

The Difference Is People

I am, therefore, forced to the conclusion that economic development or lack of it is primarily due to differences in people—in their attitudes, customers, traditions and the consequent differences in their political, social and religious institutions.

Therefore, if the countries which are lagging are to join in the procession of economic progress their people must change some of their thinking and some of their methods. This is the stubborn core of the problem, the most important factor regulating the pace of growth — how fast will people adapt. A bulldozer can move most things, but not ideas and habits.

It is no service to truth and realism to avoid the fact that much effort and the sacrifice of some of the accustomed ways are the inevitable price of advancement.

Modern machines and the way of life which they demand can produce unlimited goods and services, but only for those who accept the required disciplines. Such disciplines are harshly imposed by the ruling powers in communist countries. In free societies they must be voluntarily assumed by individuals.

I am sympathetic with those who prefer the old ways and the simpler life. But too many wish for the best of both worlds. It won't work—only frustration and failure can result from seeking the fruits without being willing to pay the price of admission to modern economic society.

Out of my experience I have arrived at a few simple requirements for any country to make its way up the economic ladder. Simple to state, most difficult to achieve.

What Nations Must Do to Achieve Economic Growth

The first requirement is a reasonable degree of consistent law and order—government which can govern. Each country must work out its own acceptable process by which it governs itself. But without a degree of continuity in political life, consistent economic growth is not possible. Public policies sway with every change in the winds; economic programs do not get off the ground; private investment is frustrated.

Next, I would put the requirement of reasonably honest and effective public administration. There is no denying that in many countries graft and corruption in public office lay a heavy tribute on resources which should go into development. Of course, the less developed countries have no monopoly on public corruption. But its toll is more destructive in poorer countries than in richer societies. This is a problem which is entirely up to the leaders and people of each country.

However, honesty alone is not sufficient. Administration needs to be effective, and more and more individual competence and adequate organization are required as an economy grows and becomes more complex. I have found that in dealing with public offiicals, the most prevalent obstacle to getting things done is the lack of experience, of training and of ability to make prompt decisions. More attention to training and organization is widely needed.

I can seldom refrain from commenting on the importance of financial stability to steady economic progress. There are many prominent supporters of inflation who claim that it is a necessary adjunct of growth some assert that it creates development.

But I have taken a close look at inflation in quite a few countries. I have seen it upset governments; take the bread out of the mouths of workers, the old, the helpless; undermine the operations of business. So I continue to class it as a dangerous fever, which gives the patient a temporary spurt but quickly saps his strength.

Careful Planning Essential

Next, I would emphasize the importance of developing in broad terms a pattern of economic growth, a sensible plan of balance among agriculture, industry, transport, power, communications, with such provision for housing, education and medical services as resources permit. From my experience, this type of basic program, setting out general and related objectives, is more practical than attempts to specify in detail and to direct all spheres of economic activity.

However the plans are made, they will reveal needs so great that there must be a selection of priorities. Of course it is also essential that the country seek to increase its own internal revenues. Many tax systems need overhauling to remove inequities and evasions, and to improve collections. However, if development is to be encouraged and not hampered, it is important to avoid taxation which hinders investment. The best chance for long-term growth in revenues is through increased productivity and national income.

Most countries have in their history experienced some form of feudal society, with wealth and power in the hands of a few. The most advanced countries have moved out of it; in many others it still prevails. This is one of the things which must disappear if there is to be economic progress in the modern sense. It can disappear under the guns of violent revolution, with the lives and property of those who have the most being forfeit. But the mass of people have never found quick prosperity through expropriation—through dividing up an inadequate pie. Grabbing the possessions of a few does not really help the many.

But revolutions are likely to come unless those who have the wealth and power are prepared to cooperate in working out means whereby productivity can be increased and its benefits more widely distributed. If they would look forward they should realize that there is greater opportunity and prosperity for those with superior ability and for capital in a growing economy with widely spread benefits than in a less productive society made up of a few rich and many poor.

So I put high on the list of public policy positive efforts to see that the benefits of growth be spread widely among more and more people — through jobs, ownership, opportunity.

I have some definite ideas as to the means of getting greater

productivity, which is the essence of modern economic life, and providing for wide distribution of its benefits, which is both economically and politically imperative in free societies.

Obviously there is need for governments to provide the basic facilities and services. To do this in adequate measure will strain their human and financial resources. It seems sensible, therefore, to give the greatest scope to private initiative and capital in all fields which are not necessarily in the public sector.

There is convincing proof that this is the most assured method of getting development. The most productive economies which have brought the highest standards of living to the most people have been those which have permitted private initiative to control the widest range of activities. This system has worked in the United States, which began as a wilderness; it has worked in Europe and Japan, with the long established societies.

Over the past 14 years I have visited some 50 countries most of them in earlier stages of development. The most substantial progress I have observed has come from the private sector, where it has been provided with basic facilities and a political and administrative climate in which it could exercise its talents.

Public Ownership Uneconomic

In most instances of public ownership and operation of industry which I have observed, the results have been uneconomic. Too often political considerations determine the type of enterprise, and size and location of plants. In instances where the facts are available, the publicly owned plants have generally cost more to build and many of them operate at losses, which have to be made up from public funds. At least certain countries, having burned their fingers, are abandoning or selling out to private interests some of these economic liabilities. Others, however, continue to experiment.

It is of course true that the role of government in economic affairs must vary according to the conditions in different countries. Much more is required in the way of planning, stimulation, incentives and financial participation where industrial development is in an early stage and where there is a scarcity of entrepreneurs, management experience and organized source of capital.

Under such conditions, government has two alternatives in dealing with private enterprise. If it sincerely wishes to use its productive potential it can give support and finance on terms which do not repel private investment nor stifle private control and management. On the other hand, it can demand such rights and lay such restrictions that enterprise cannot operate on an economic basis. Frequently businessmen cannot get a clear answer to government intentions, often because the government will not adopt a clear-cut policy. So long as the uncertainty exists, it constitutes an obstacle to private investment.

Decisions as to the degree of government ownership and control are not always made on the basis of economics or political theory. Even limited experience in dealing with officials in some countries reveals that they are largely influenced by what will give them the greatest personal power and rewards. The greater the control in government hands, the more personally lucrative can be the exercise of such control.

I am convinced that increased productivity can best be assured by a combination of government and private investment and operation, each in its most appropriate sphere. The functions which only government can perform demand its full efforts and human and financial resources. Therefore, if we seek the maximum production and development, private initiative, management and capital should be called upon and given the opportunity to extend their activities most widely.

Spreading Productivity Benefits

If productivity can be increased, how then can the benefits best be widely distributed?

We know that the doctrine of socialism says by public ownership of the means of production. Through the instrument of government (which the socialists will operate) everyone will be allotted his proper and abundant share. It is an idea which has appealed to many, since the days of Thomas More's Utopia. Up to now it has never worked, because it has never produced the abundance. (It is interesting to note that Utopia—from the Greek—means "no place.")

Then there are the supporters of the ultimate Welfare State, who propose that government (which likewise they intend to control) take the maximum amount from all who work and who own property and spread it around as they deem most fitting.

Some wise man has said "there is no such things as a free lunch." Someone must pay the bill, so the question remains whether people pay their own bills to the maximum extent, or have government take and distribute as much as possible.

I would propose to the developing countries a somewhat different approach in order to spread benefits more widely.

Reliance on the Individual

First, I would concentrate on how most effectively to encourage individual initiative and the flow of private capital into productive use. One specific means would be through revision of taxation to give incentives to production and investment and lay heavier taxes on unproductive assets.

I would make it attractive to both local and foreign capital to expand existing enterprises and to start new ones, providing more jobs, more goods, and wider opportunities for ownership of business. I would give incentives to larger companies to sell some of their shares to the general public.

I would work out means by which more farmers could purchase land and get assistance in improving their production and marketing. I would provide credit facilities so that the working man could build or buy a house and pay for it out of his earnings.

This approach would, I believe, begin to build up a middle class of men of property, with opportunities for individuals to progress as far as their abilities warrant.

This is my prescription for building a productive economy and spreading widely its benefits.

Businessmen's Responsibilities

I have touched upon some of the things which governments need to do to promote development, including making full use of the productivity of private initiative and capital.

There are, however, equally great responsibilities which private business needs to assume.

The time has come when no longer can businessmen afford to concentrate exclusively on their individual enterprises and to ignore their role in promoting the broad interests of their countries. They should see this as a matter of self-interest, because in the long run the success of all private business rests upon the progress and stability of the community in which it operates.

Furthermore, they should realize that the institution of private enterprise is under deadly attack, not only from avowed communism, but from advocates of all degrees of socialism and state control. Their propaganda is clever, organized and persistent. Business generally has not effectively taken up the challenge. It has, by default, allowed itself to be put on the defensive. Unless it awakes to the present danger and determines to pay the price and make the fight to preserve and expand its system, its productive contribution may be lost to the world, and bring about total change in our society.

As we have pointed out in our annual report, there are some particular aspects of responsibility for foreign businessmen operating in the developing countries. They need to make special efforts to associate themselves with the local communities — first through maximum use of local resources and people, with positive efforts to provide training and opportunity for advancement to senior positions. It is becoming increasingly apparent that there are mutual advantages in joint ventures with local enterprises, or in sharing ownership with local investors, including, where practical, offering of shares to the public. And on a broader front, foreign business interests are in position to set the example and stimulate their local counterparts in supporting education, technical and business training, and other constructive community activities.

And finally they can demonstrate and make known the benefits which they and all good private business contribute to economic growth.

Hits Intergovernmental Financing

There is one other major aspect of development to which I wish to refer.

Following World War II the interest of the more advanced countries in giving financial assistance to the less developed areas was evidenced in two directions—first, through bilateral financing, initially by the United States and more recently by Western Europe, as it rebuilt its own economy; and second, through international agencies, starting with the World Bank and the Monetary Fund, to which have been added IFC, IDA and recently the Inter-American Development Bank. In addition there have been the informal association of the Colombo Plan and consortiums for India and Pakistan.

I have observed over these 14 years both types of operation. It might have been said before that my personal interest would naturally prejudice me in favor of the international approach. But now that within a few weeks I shall retire, I have no selfish interest to serve. I now can speak objectively and I shall state my convictions.

The first is that government-to-government financial aid cannot successfully be used to gain and hold political advantages for the country supplying the funds. Rather than making friends, bilateral financing between sovereign countries tends to create antagonisms and distrust. I have observed that within the non-communist world the nations most friendly to each other are those between which there has been little or no intergovernmental financing. Contrariwise, the more one government has loaned or granted the greater probability of suspicions and antagonisms. I believe the record gives support to my observations.

Also, there are inherent difficulties in arranging and administering development financing between governments. Officials and legislative bodies in committing the funds to their citizens have a responsibility that they be used honestly and effectively. Taxpayers are properly critical of abuses and waste. But however reasonable, recipient countries are inclined to consider conditions attached to aid as infringements on their sovereignty. And it is no salve to their sensitivity to have large numbers of foreign government representatives stationed in their borders to supervise the use of funds.

Furthermore, it is often impossible to disassociate a government's financial transactions from political motives, so that truly economic objectives may be subordinated.

And finally, there are obstacles to long-range action both in the providing and recipient countries. Commitments on both sides are necessarily subject to political changes and legislative actions. Qualified personnel are difficult to recruit due to uncertain tenure.

In my own country, the annual debates on foreign aid appropriations are familiar to many of you. It is becoming apparent that the American people are more and more questioning and critical—not, I believe, of the mutuality of interests with the developing countries and the objectives of aid, but as to methods and results.

Because of the fundamental difficulties it is doubtful that large government - to - government financing can ever be handled effectively and with mutual satisfaction.

Promising Alternative

I believe there is a promising alternative in the record of the World Bank.

With substantial capital contributed by all of its 60-odd member countries, each in proportion to its resources, it has been able to approach the job of sound economic development—free of the strains of political pressure and without the suspicion of political domination. It has been able to insist on more stringent economic and technical criteria than are generally proposed by agencies of individual governments. It supervises more carefully the application of its funds. Yet this firm insistence on performance has created a minimum of resentment.

The Bank has estabilshed a reputation for competence, objectivity, impartiality and honesty. It has an international staff. It has gained the respect of its member countries, both the more and less advanced, and of the business and financial communities of the world. Its bonds are prime investments, so that it attracts the funds of prudent private institutions to supplement its government capital. Few informed people would argue with the statement that the lending of the Bank has produced results superior to most government-to-government transactions.

When it appeared that there was need for an additional type of credit for the more hard-pressed countries, and for a broader range of purposse, the Bank was given the operation of the IDA Fund.

Thus the proven instrument exists into which could be concentrated major intergovernmental financing. If the countries which have funds to devote to promoting development of the poorer areas would channel them through the World Bank, rather than in bilateral credits, the result would be more and better development, and better relations between nations.

In proposing the World Bank as the major instrument for development financing of public projects, I also agree that regional institutions, such as the Inter-American Bank, may play a similar role. As they demonstrate that they have established standards of competence, integrity and freedom from political influence, comparable to those of the World Bank, they can likewise perform constructive service in their areas and be equally deserving of support.

It appears obvious that the United Nations, or other associations which are organized on a political rather than economic basis, do not fit the specifications I have outlined.

And in the field of fiscal and financial order, both in individual countries and internationally, I believe that the value of an international organization has likewise been demonstrated. The International Monetary Fund — born at

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The Power to Tax Is The Power to Destroy

By W. Arthur Grotz,* President, Western Maryland Railway, Baltimore, Maryland

A plea for tax fairness and not forgiveness contains figures spelling out financial plight of the railroad industry and the need for tax changes at various levels including rapid Federal amortization. Mr. Grotz delineates the extent to which rails are running out of cash and are in an increasingly critical position. Some of the observations made are: end of 1959 working capital was 2½ times the present (May, 1961) $315 million, and the present killing tax burden occurs when increasing subsidized competition has reduced rails' revenue by capturing either more profitable business or by compelling rate reduction even in the face of rising labor and material costs.

The crisis many railroads are facing is not a crisis of capacity, or of equipment, or of service. It is not a crisis of organization, of mergers, of labor rules, of marketing, or of public relations, although all of these are important. It is a financial crisis. The railroad industry has been steadily running out of cash and some of the companies are in an increasingly critical position.

W. Arthur Grotz

It is true that the financial crisis affects every aspect of the railroads' operations, maintenance, and service, but it is to the financial crisis that it is extremely important that we immediately address ourselves. It is for this reason that taxation, which is the government's way of exerting demands upon the dangerously reduced working capital of railroads, is a vital topic. I shall discuss taxation and, insofar as it relates to taxation, I shall discuss allowances for depreciation.

Perilous Working Capital Condition

I shall limit the very few figures I shall use to those which dramatize the crisis. Working capital of the railroads at the end of the last available month, which was May 1961, amounted to $315 million. This figure excludes materials and supplies from the assets and long term debt due within one year from the liabilities. This is the worst showing since the end of 1939, when current liabilities included an enormous amount of defaulted obligations. As late as Dec. 31, 1959, the corresponding figure was $788 million, or 2½ times as great. The devastating attrition of working funds undoubtedly carried right on after May. Since some of the railroads still have substantial working capital, it is obvious that a number of others have working capital deficits.

Tax Payments Made

In the light of this perilous working capital position, it is appropriate that we examine the tax payments by the railroads. In 1960 the Class I Railroads paid Federal income taxes of $204,263,000, state taxes of $400,359,000, and the Railroad Retirement and Unemployment Insurance Taxes of $394,177,000. After all of this, their combined net income was only $444,657,153.

For the five-year period 1956 through 1960 the corresponding figures were $1,425,200,000 Federal income taxes, $2,008,562,000 states taxes, and $1,759,613,000 Railroad Retirement and Unemployment Insurance Taxes.

We are concerned not only because of the amount of these taxes but also, as I shall develop later, their fairness and the fact that under present laws their total will greatly increase in the immediate future. It is, therefore, of importance to the railroads, as well as to the national interest, that ways be developed quickly at all levels of government to ease the impact of taxes upon the weakened finances of the railroads. It is in this context that I shall discuss depreciation, shorter lives for depreciation purposes, construction reserves and non-discriminatory state taxes.

Explains Depreciation Havoc

First, let me explain the use of the term depreciation. In a recent official railroad paper appeared the words "for capital expenditures the railroads are heavily dependent upon depreciation." These words make no sense. You can't spend depreciation. Depreciation is a fact of life, whether we like it or not. It is the process of wearing out and it is in itself wholly undesirable, although it must be recognized in industry, just as it is recognized in the wearing out of your automobile or your electric razor. If there were no depreciation, the railroads would not have to replace things. The railroads do not want depreciation. What they do want is the financial relief which greater allowances by the Internal Revenue Service of expense deductions for the amount attributed to depreciation will produce, because this reduces income taxes. The railroads are interested in shorter lives for depreciable equipment, not because they want the new equipment to wear out faster or expect it to be of such inferior construction that it will wear out faster, but because reduced income tax payments will release cash for improvements, which they believe to be of greater national interest than the deferred taxes.

Depreciation I have characterized as the wearing out process. Akin to it is depletion, which is the exhaustion of a resource, and obsolescence, which is occasioned by technological or style changes, or by sociological or political changes, or indeed by the Federal subsidization of competitive transport, such as the construction of waterways, highways and airways. All three are commonly thought of as depreciation.

It is of great interest to the public, to commerce and to national defense to encourage the railroads to spend some $20 billion at the rate of $2 billion a year for new equipment and the modernization of their facilities. It is, therefore, particularly unfortunate that the advantages in tax deferment of the accelerated depreciation granted during and immediately after the Korean War are expiring this year and that hereafter the payment of deferred taxes must be added to the burdensome amounts due normally for taxes.

Tax Deferment

The figures previously given as to the payments of taxes reflected the advantages of accelerated amortization. During the five-year period 1956 through 1960, in which the railroads paid $1,425,200,000 in Federal income taxes, they deferred $525,513,000 of Federal income taxes by reason of accelerated amortization. For the entire period since accelerated amortization was authorized in 1950, the tax deferment was some $1.2 billion. Obviously, this tax deferment constituted an important source of working capital of the railroads and provided funds for their improvement programs.

The authorizations for accelerated amortization following the Korean War expired with the fulfillment of orders placed for equipment prior to Jan. 1, 1956. Consequently all of the benefit of tax deferment has been realized. We now come upon the time when the railroads must not only pay the normal taxes but must in addition repay the amount of taxes which were deferred because of the accelerated amortization. The result will be a further pinch in railroad net earnings and in cash flow of perhaps $50,000,000 a year. The full impact will not be felt until 1962 because some projects or equipment covered by rapid amortization certificates were not completed until late 1956 or early 1957.

The failure of the government to extend the rapid amortization beyond Dec. 31, 1955, is exerting tremendous financial pressure upon the railroads. In the case of Western Maryland Railway, tax payments for years ahead will be increased by some $2,700,000, as compared with 1956, assuming the same levels of income. This immense burden comes at a time when the increasing competition of subsidized transportation has reduced the revenue of the railroads by diverting more and more of the profitable business or by compelling the railroads to reduce rates. It comes at a period also when costs of both labor and materials have been rising and when the weakened credit of the railroads forces them to pay higher interest rates on borrowed money.

Categories of Tax Relief

These pressures threaten the solvency, the service, and even the safety of railroad transportation. These pressures give urgency to a need for basic reconsideration by government of the impact of taxes on the railroads. The plea for tax relief of the railroads has been repeatedly stated, as follows:

(1) Allowance by Internal Revenue Service of greater deductions for depreciation based upon

a. Reduction in maximum useful life of depreciable railroad property, taking into consideration functional and economic obsolescence, as well as depreciation or simple wearing out.

b. Recognition of the inflated replacement price structure.

(2) Encouragement of investment in transport equipment and facilities by construction reserve funds or otherwise.

(3) Freedom from Federal income taxes on savings derived by tax concessions of states or municipalities.

(4) Repeal of passenger transportation tax.

The categories of Federal tax relief which I have just listed are, as I said, those which have been repeatedly urged by the railroad industry. They have great force and soundness. But permit me to suggest the possibility of radically different approaches. I give them to you not as something to go out and try to sell at this time but rather as something to think about seriously.

Two Approaches

The first radical approach derives from the fact that the railroad investors and managements need a powerful stimulant for $2 billion a year. We should take a serious look at the depletion allowance in the extractive industries, in the case of petroleum 27½% of the sale price of the product (not of the cost of the well). This allowance was justified originally and has been sustained because of the importance in the national interest of encouraging exploration for and the development of natural resources. The national interest in preserving the railroads as a key to national transportation can hardly be less than its interest in finding new oil wells. The offering of a tax incentive for railroad investment cannot be less important than a tax incentive for oil well drillers.

A second radical approach is that an attraction for capital investment in strategic industries dedicated to the public service, such as the railroads, might well be afforded by providing that Federal taxes on the income of such industries should (1) not be applicable to income which provides less than a modest stated return on the value of property or (2) be applicable at a lower rate to income less than a stated return. Such a provision need not be class legislation but could be broad enough to provide for any industry which qualifies. It is extraordinary, it is radical, but so is the disease of the railroad industry.

I do not plead for tax forgiveness. I do not wish that the railroads do less than their fair share. But I do seriously question whether a public service enterprise, operated on the common carrier principles and owning its own rights of way, can forever pay the same rate of taxes on its 2% or 3% rate of return as do companies in less restricted industries earning far greater returns and still expect to justify very large capital expenditures.

State Taxes

I must not conclude these remarks without briefly discussing state taxes, which were $400,000,000 in 1960 and five times that much for the five-year period. In the aggregate they far exceed Federal income taxes. The question of their fairness is extremely important and is likely to be lost sight of because of the multiplicity of taxing jurisdictions. Congress should enact legislation designed to prevent discriminatory taxes against railroad property on the ground that it constitutes a burden of interstate commerce. In this connection, I would like to quote briefly from an article written by the President of the Burlington Railroad which appeared in *Railway Age* of June 27, 1960. Because of limitations of time, I can only pick out several paragraphs.

"*Property taxes.* The railroad pays roughly ten times as much per dollar of freight revenue, as its competitors: Railroads 5.03 cents; truck, 0.45 cents; barge, 0.51 cents.

"*Maintenance of Way and Structures.* The railroad pays more than twelve times the average truck payment, and more than twenty times the average barge payment for such expenses. Railroad, 12.65 cents; truck, 0.96 cents; barge, 0.58 cents.

"If truck payments for license fees, fuel taxes, etc., are included in this category — on the theory that they are used for road maintenance — the railroad still pays more than one and one-half times the truck average, and the barge comparisons remain unchanged. Railroad, 12.65 cents; truck, 7.25 cents; barge, 0.58 cents.

"Finally, if we consider *all* taxes and *all* maintenance of way and structures (including truck license fees, fuel taxes, etc.), the railroad pays more than three times as much as the truck average, and more than five times the barge average. Railroad, 32.58 cents; truck, 9.77 cents; barge, 6.34 cents.

"These differences in treatment explain why much of the country's freight traffic growth is going to other forms of transportation while rail freight volume remains stationary, or declines. In addition, these differences in treatment suggest that, with equitable treatment, railroads could provide better service at lower cost to their patrons, and at no cost to the taxpayer."

By way of *Summary*, the railroad problem is financial. The railroads have run out of working capital. Taxes are very large. The deferment of more than a billion dollars of Federal income taxes during the last decade temporarily enriched working capital. Not only has this source of deferment expired but it is now necessary to repay the amounts deferred at a time when subsidized competition and the business cycle have greatly eroded railroad earning power. Bold action must be taken and an area in which government can more readily take bold action is in connection with taxes on railroads. Its objective should be, first, to preserve railroad transportation, and, second, and hardly less important, to create strong tax incentives for capital expenditures — incentives, of the order, but not necessarily of the nature, of the 12½% depletion allowance in the petroleum industry.

Chief Justice John Marshall was wise indeed when he said "The power to tax is the power to destroy." The converse is also true, the power to abate taxation is the power to create.

*An address by Mr. Grotz before the Community Relations Committee of the Pittsburgh Railroads, Pittsburgh, Pa.

Maass, Nerney To Form NYSE Firm

BEVERLY HILLS, Calif.—Maass, Nerney & Co. will be formed as of Jan. 4, with offices at 9860 Wilshire Blvd. The firm will be a member of the New York Stock Exchange. Partners will be Herbert H. Maass, Jr., who will acquire an Exchange membership, and Patrick W. Nerney, general partners; and Alfred S. Bloomingdale, Frank W. Clark, Jr., Judith A. Gross, David May, II, Wilbur D. May, Nathan M. Ohrbach, and Richard A. Shepard, limited partners.

Camp Chemical Stock Offered

The initial public sale of the capital stock of Camp Chemical Co., Inc., is being made with the offering of 110,000 shares at $3 per share by Russell & Saxe, Inc. and Lederman & Co., N. Y.

Net proceeds from the financing will initially be added to working capital of the company and used for general corporate purposes. It is intended to use the proceeds ultimately for the expansion of company sales and to finance anticipated additional inventories and accounts receivables.

The Brooklyn, N. Y. company and its subsidiaries manufacture and distribute sewage chemicals, household chemicals and sanitation chemicals for home, commercial and industrial use. They also make specialty sanitation chemicals for resort hotels and children's camps. One of the major operations of the company is the manufacture and sale of sewage treatment chemicals for use in connection with septic tanks and cesspools. For the resort division of the company, and in some cases for the dealer trade, the company manufactures approximately 176 different chemical products under the Camp name in various sizes, such as insecticides, bleaches, dish washing powders, floor waxes, deodorants and others.

Long-Term Projections—Problems, Methods, Results

By Dr. William C. Freund,* *Associate Professor of Finance, New York University's Graduate School of Business Administration.*

New York economist takes exception to what he considers are too overly optimistic National Industrial Conference Board and National Planning Association projections of $810 and $817 respectively for 1970. Dr. Freund foresees a $700 billion GNP ten years hence, in 1960 dollars based on a 2½% productivity rate and a 5% rate of unemployment. He doubts circumstances favorable to economic growth in the 1950's will prevail in the 1960's but does agree we could achieve the higher growth rate if we "deliberately and consciously shaped our national policies to that end." Dr. Freund praises three representative projections made a decade ago for 1960 and parenthetically notes this agreement should dispel the notion that economists never agree.

Almost 100 years ago, in August of 1867, Mr. J. N. Boyd, then editor of the *Fairmont Gazette* of West Virginia, tried to predict certain events 100 years hence. Since the hundred year period has almost expired, we can now judge the accuracy of these projections. Unlike some forecasters, I am sure Mr. Boyd will not mind our reviewing his predictions. Wrote Mr. Boyd:

Wm. C. Freund

(1) "Every child will be in easy reach of a school house."

(2) "Color of the skin and sex will not distinguish voters."

(3) "Handsome and accomplished women will occupy seats in the legislature and state department."

(4) "Trains will pass Fairmont, West Virginia, 12 times each day."

(5) "Letter postage will be one cent instead of three." (I cannot be sure whether Mr. Boyd had real or current dollars in mind).

(6) "The national debt will be paid."

(7) "Women will propose marriage."

(8) "There will be no Methodists, Presbyterians, or Baptists—all will be one denomination."

(9) "Women will eschew hoops, long dresses, waterfalls, palpitators and other false and senseless things generally."

Now for those statisticians who may want to compute Mr. Boyd's standard error or estimate. I should tell you that Fairmont does not have a dozen railroad trains passing each day, and that few women in the past hundred years have entirely eschewed all "false and senseless things."

Man always seeks to look ahead. Certainly, this is among his most distinguishing characteristics. Thus, I think many forecasts are prepared and consumed because of an innate curiosity, a basic desire to "know" the shape of things to come.

Growing Need for Projections

In preparing long-term economic projections (and I think the qualifying adjective "long-term" is redundant if we confine our use of the word "projection" to long-term prophesies and reserve the word "forecasts" for short-term expectations), most economists seek to do more than to satisfy idle curiosity. Business must plan ahead. Every business decision is predicated on some assumption about the future, whether right or wrong, wheher explicit or implicit. Capital expenditure budgets, for example, must be drawn on the basis of sales estimates, which in turn depend, either directly or indirectly, on the outlook for the national economy. And with the lead time between research and marketing becoming ever longer, the need for economic projections is becoming a more vital ingredient of business decisions.

The preparation of economic projections and their interpretation for company policies has become the responsibility of most business economists. As a result, the publication of GNP projections has been flourishing. Especially last year, with the beginning of the new decade, a plethora of GNP estimates appeared. These published in the more popular public organs, and often preceded by such adjectives as "soaring, sizzling or striking," often served merely to satisfy the public appetite for optimistic prognostications. However, many solid studies appeared such as the National Planning Association's "Long-Range Projections for Economic Growth," the Joint Economic Committee's "The Potential Economic Growth in the United States," and the National Industrial Conference Board's "Economic Growth in the 1960's, Prerequisites, Potentials, Problems."

My aim is to review the performance of several economic projections prepared a decade ago, not solely because of curiosity about how well these have turned out but because by examining past projections we may be able to improve on those currently being made. Specifically, my purpose is to analyze the assumptions on which three economic projections made in the early 1950's were predicated—three projections which I consider sufficiently typical to be taken as representative of the bulk of prognostications made a decade ago. Secondly, based upon the analysis of past projections, I would like to review critically the assumptions going into the current crop of economic projections to 1970. Because of my paper's limitations, I will have to confine my comments to projections of aggregate GNP.

Basic Assumptions

All GNP projections depend in the final analysis on three very basic assumptions:

(1) The size of the employed labor force.

(2) The rise in productivity.

(3) The average length of the workweek.

Some models are very intricate with separate assumptions about productivity and manhours in individual industries while others follow a more simplified aggregative approach. Among the latter was the projection of the economist who in a public address in 1957 predicted that "if the employed labor force increases around 11% by 1965 and 30% by 1975; if hours worked per year decline about 5% by 1965 and 12% by 1975; and if output per manhour expands approximately 23% by 1965 and 60% by 1970—then we can expect total output to be about 30% larger in 1965 and 75% greater in 1975." Whichever the approach, detailed or aggregative, all models can be abstracted to yield the three basic assumptions of productivity, labor force and hours worked. In the three models up for review, I have condensed all the assumptions into these key variables, although in the original the detail was much greater.

Just as an aside, let me say that I do not believe much, if anything, is gained by using elaborate models or by substituting a computer for a slide rule. The margin of error in a ten year projection is obviously large, and relatively minor percentage differences in the assumptions, when compounded over ten years, produce substantial differences in aggregate output. I think little is added, for instance, by separating the output of the non-private labor force into federal government employees, state and local government employees, and the armed forces. Such refinements appear minute compared to the assumption about productivity growth, which, if varied by only ¼% produces a $50 billion change in GNP.

How well have the economic projections of the early 1950s actually turned out?

Before we can compare the assumptions and results of the three projections I have selected with actual events, we must recognize that these projections were designed to extrapolate trend, not to forecast the cycle. Thus it would be unfair to compare the cyclical value of GNP for 1960 with the projection of trend about which it was expected cyclical fluctuations would occur. Obviously, the recession of 1960 caused the economy to fall below its normal trend. I have come prepared therefore with a 1960 estimate of full employment GNP to use as a yardstick in this post mortem of economic projections.

In preparing this retrospective full employment GNP estimate for 1960, I have assumed, as did most forecasters in the 1950s, an unemployment rate of 4% (compared with an actual of 5.6%). A few simple multiplications as shown in Table I produced the full employment estimate of $530 billion, which, as you can see, is $27 billion higher than the actual cyclical value of $503.2 billion.

The three economic projections of nearly a decade ago came remarkably close to this $530 billion trend value.

The National Planning Association in its 1952 report "The American Economy in 1960" projected a GNP of $425 billion, "or an increase of about 29% above the 1951 GNP of $329 billion."

Converting this estimate into 1960 prices produces a GNP figure of $506.5 billion. (By the way, there has been no revision by the Department of Commerce in the 1951 GNP figure of $329 billion since the NPA prepared its projection so that we need not adjust for any data revision in the base year GNP). The NPA's prediction of $506.5 billion is roughly $25 billion too low, not an intolerably large error for most practical problems of business planning. As a percent of the actual full employment GNP, the error is 4%.

What accounts for the NPA's underestimate? Examining the three major assumptions about employment, productivity and hours worked reveals that the chief source of error was in the NPA's projection of civilian employment. Table II compares the NPA projection with my full employment estimate for 1960.

Note particularly the accuracy of the total labor force projection. This should give encouragement to all the demographers in the audience. What the NPA did not and could not be expected to anticipate was the reduction in the size of our armed forces to 2.5 million. The total labor force estimate is 400,000 below the actual, and civilian employment was 1.4 million too low.

The result of this underestimate of our effective working force was to reduce the projected level of GNP. Of course, to some extent, this underestimate of the private product was offset by the overestimate of the size of our armed forces and their contribution to the government sector of

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The State of TRADE and INDUSTRY

Steel Production
Electric Output
Carloadings
Retail Trade
Food Price Index
Auto Production
Business Failures
Commodity Price Index

A sharp upturn in retail sales in October, eight months after the recession trough, brings forth renewed optimism on the future trend for consumer spending on goods, states the December issue of *Barometer of Business* published by the Harris Trust and Savings Bank of Chicago.

During the first seven months of the business recovery retail sales increased less than 2%, but the gain in the one month of October was an additional 2½%, points out the publication.

However, this belated pickup in retail sales is typical of business recoveries. In the three previous postwar expansion periods the number of months required for retail sales to increase 4½% from the level at the time of the business cycle trough was: 1949-50—five months; 1954—four months; 1958—eight months.

During the last six months the slow recovery in consumer spending has been alarming to many business analysts, states business summary. While personal income increased $20.6 billion, or 5%, between September, 1960, and September, 1961, retail sales were unchanged.

This poor performance in sales at the retail level was reflected in the reluctance of the public to add to its debt, indicates the Harris Bank. Total consumer credit rose only $800 million, or 1½% between September, 1960, and September, 1961.

Moreover, during the first nine months of 1961, while incomes were increasing with the recovery in the economy, consumers were on balance paying off more installment debt than they were taking on in additional credit. The burden of consumer debt relative to income is thus lower today than it was a year ago.

Total consumer spending has been more buoyant this year than the figures on retail sales, largely goods, would suggest, specifies the *Barometer of Business*. Expenditures on consumer services increased steadily through the recent recession, and have advanced at the annual rate of $10 billion, or 7%, during the recovery phase of the business cycle.

It has thus been the reluctance of individuals to increase their spending on goods as incomes rose which led to phrases such as "consumer saturation" and "overstocked with goods," reports the monthly periodical.

The principal factor influencing variation in retail purchases is the sale of automobiles, points out the Harris Bank. Roughly three-fourths of the September-October gain in retail sales was accounted for by higher automobile purchases.

In the 1958-59 expansion 48% of the $1.8 billion improvement in retail sales between April, 1958, and October, 1959, was a result of higher sales by automotive dealers.

Bank Clearings Were 5.6% Above The Corresponding Week Last Year

Bank clearings last week showed an increase compared with a year ago. Preliminary figures compiled by the *Chronicle* based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Dec. 23, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 5.6% above those of the corresponding week last year. Our preliminary totals stand at $34,105,550,374 against $32,285,750,542 for the same week in 1960. Our comparative summary for the leading money centers for the week follows:

Week End. Dec. 23—	1961 (000s omitted)	1960 (000s omitted)	%
New York	$19,312,048	$18,541,802	+ 4.2
Chicago	1,535,074	1,334,799	+15.0
Philadelphia	1,318,000	1,175,000	+12.2
Boston	914,203	902,542	+ 1.3

1962 Steel Production Should Exceed 110 Million Tons, Says "Iron Age"

Total steel production in 1962 should exceed 110 million tons, *The Iron Age* predicts in a year-end forecast.

Well over half the total will be poured in a first-half surge, which could account for 65 million tons of steel ingots poured in the first six months of the year, the magazine says.

The high total for the first six months will be brought about by hedging against a possible steel strike after the contract between steel companies and the United Steelworkers of America expires on June 30.

Commenting on the possibility of a strike *The Iron Age* says only something that is not now present in the labor picture could avert a strike. The magazine says most of the factors present in the 1959 negotiations are still present, and little has been done to ease the pressures that caused the strike in 1959.

In fact, union demands for job security have strengthened, and this shapes up as the key factor in negotiations. The steel companies, hard-pressed on the cost front from competition within the industry, from foreign steel, and from other materials, are not likely to settle for any package that means large wage - cost increases.

Strike hedging is not the only factor behind the expected first-

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The Merger of Imperial Chemical and Courtaulds

By Paul Einzig

British indifference to "bigness" and monopoly was stirred last week, according to Dr. Einzig, by the news, and the way it was announced, of Imperial Chemical Industries' proposal to take over Courtaulds. One of the surprising reactions is the Socialist opposition since "it is much simpler to nationalize one gigantic enterprise than a number of firms in the same industry." Brief comments are made on the merits and demerits of the takeover bid.

LONDON, England — The announcement of the takeover bid made by Imperial Chemical Industries for the control of Courtaulds caused considerable surprise and gave rise to heated controversy. The first reaction of most people is that since the combined resources of the two industrial giants will approach the figure of $3,000 million, and since between them they control over nine-tenths of the production of manmade fibres in the United Kingdom, the transaction would be contrary to public policy. Opinions disagree whether under existing legislation it could be prevented effectively, especially as the Monopolies Commission can only make recommendations without being able to enforce them. It has been suggested that, if necessary, the government should introduce new legislation in order to prevent it.

Main Argument

The main argument in favor of the proposal is that it would increase the efficiency of fibre production and would enable Britain to compete more effectively with continental producers if and when it should join the Common Market. Whether or not this claim is justified depends on the extent to which cost of production could be reduced. The only indication to that effect is the likelihood that the two firms would pool their research facilities. I. C. I. is believed to intend to embark on a line of research in respect of which Courtaulds has already reached an advanced stage so that the amalgamation would obviate the necessity for duplicating expenditure. Courtauld's new £1,000,000 laboratory would certainly be useful to the new combine.

It does not seem certain, however, that the amalgamation would lead to considerable economy with manpower in general. This at any rate appears from the statement made by I. C. I. according to which the merger would not result in large-scale redundancy. This may mean that the extent to which saving of manpower could be effected through an elimination of duplicated services is not sufficient to warrant the amalgamation from the point of view of efficiency. Or it may mean that, although large numbers of employees would become superfluous, the management of I. C. I. is not prepared to incur the displeasure of the trade unions by dismissing the redundant workers.

This latter possibility raises considerations of great importance. It has become the deplorable practice of industrial employees in Britain to hoard and featherbed employees who have become superfluous and who ought to be released. Yet there is an acute shortage of manpower and it would be to the public interest if all redundant workers were to be made available to firms who need them. Amidst existing conditions of employment the hardships involved would not be excessive and the firms concerned could well afford to pay the redundant personnel reasonable compensation for their loss of earnings until they find some other suitable employment. Such compensation would cost a great deal less than the continued employment of workers who are not really necessary. It is because of the reluctance of industrialists to release redundant labor that inflationary wage demands can be pressed home successfully.

A Matter of Some Concern

Another aspect which is giving concern is that I. C. I., which is already the biggest industrial firm in the United Kingdom, may be getting too big and too powerful. Indeed it has been remarked in joke that after the absorption of Courtaulds I. C. I. should change its name to "U. K. Ltd."

When during the late 'twenties I. C. I., under the chairmanship of the first Lord Melchett built its new headquarters at Millbank within sight of the Houses of Parliament, it was suggested that the impressive size of that building symbolized the supremacy of big business over Parliament. Since then the I. C. I. building has been greatly enlarged, and so has its power. Nor is Courtaulds likely to be the last of its acquisitions. Although in Britain there are no such strong feelings against monopolies as in the U. S., the proposed transaction has greatly strengthened anti-monopolistic sentiments.

Oddly enough much of the opposition to the proposed transaction comes from the Socialist side. Yet from the Socialist point of view amalgamations should be welcomed because, after the next Socialist victory at a general election, it would facilitate the task of nationalization. It is much simpler to nationalize one gigantic enterprise than a number of firms in the same industry.

Criticizes the Announcement Method

Apart altogether from the intrinsic merits or demerits of the proposed transaction, there is criticism of the way in which I. C. I. chose to announce it. The management of Courtaulds deemed it necessary to protest in public against the premature publication of the offer. Considering that, should the takeover bid be successful, the fate of the board and the executive of Courtaulds would be in the hands of the I. C. I., they must indeed have felt very strongly about it to voice their criticism in public. To be engaged in negotiations and, in the middle of them, to make a public announcement without informing the other party concerned, is certainly open to criticism in spite of the mysterious leak which occurred on the morning of the announcement. That move certainly augurs badly for harmonious relationship between the managements of the two firms if the takeover bid should come off. Yet the success of an amalgamation depends to some extent on the harmonious co-operation between the participants.

Hamlin Co. Opens

NEWARK, N. J.—Hamlin Company has opened offices at 1060 Broad Street, to engage in a securities business. Partners are Louis W. Hamerman, Victor D. Lindeman, general partners; and Charles E. Hamerman, limited partner. Louis W. Hamerman was formerly with Ira Haupt & Co. and Lubetkin, Regan & Kennedy.

THE MARKET . . . AND YOU

BY WALLACE STREETE

The confusing cross-currents that have been persisting in the stock market for some half a dozen weeks continued to cloud the market's future course this week. The more obvious shift was by the staid utility group where selling made some of the issues definite casualties on occasion.

Utilities had been the bright spot most of the year, even when other sections were reactionary. Then, too, some of the funds were heavily committed to some of the better-class ones. Where there was popularity the yields had dwindled to where they could not compete on a return basis with the interest rate that the banks will offer as the new year begins.

All that was needed to induce selling—and it came along more or less inevitably—were some sell recommendations from the larger brokerage houses and the investment advisers. And two-point losses per session started dotting the list of what, supposedly, are the items that by tradition move narrowly.

It made for a limp windup to what was a stirring year for the utilities. They had forged ahead to where their average seemed poised to exceed the rail one which would be a novel switch. At the high, in fact, the 135.09 reading was comfortably ahead of the year's low for the rail average of 131.06. The utility index had closed last year at 100.02.

Despite the late selling, the average was in no mood to retreat drastically and still held a comfortable gain on the year. In fact, only a small dip on the year's first trading session showed it in minus ground for the year. With the exception of this single day, it has been in plus territory ever since.

D-J in Retrospect

That pattern is also the one shown during 1961 by the industrial average which closed the previous year at 615.89. It was down slightly on the first session and rebounded without ever showing in minus ground for the year afterward. By Nov. 15 the Dow industrial average was up to 734.34. And, as in the utilities, that was pretty much the end of the run. The index did nudge to 734.91 in mid-December but it was no rousing performance nor was there any follow-through to it. And no disposition in the waning sessions to try to better the mark.

One of the notable performances of the year, tribute to the interest shown by a large section of the public in stocks this year, was that volume exceeded the billion-share level for the second time in history.

The only other time trading hit the billion level was in 1929 and with the drying up of year-end transactions, and no sign of a spirited year-end rally, in the final sessions, the 1.1 billion total of that hectic year still stands as the record. The important difference is that a generation ago the total of shares listed only reached the billion mark for the first time while today total listings come to better than seven billion.

The year was definitely one of fads, the electronics dominating the early portion of the year and carving out wide price swings. they also bumped into a correction before the year was out. Texas Instrments had closed 1960 at 180 and ran up to 206 before the play was over. It was a drastic correction for this item as it was swept back to 95 at the year's low.

Year's Wonder Issue

International Business Machines was solidly planted on the records as one of the wonder issues of the year. The existing shares of this high-flyer had ended 1960 at 593 which at the time represented a gain of 154 points on that year for them. They soared to 733 by May when they were split on a 3-for-2 basis. Despite that automatic markdown in their price, the new shares were above 600 again well before the end of year when they, too, ran out of steam as the cleaning-up caught up with them.

Foods had their day in the limelight along with stores stocks, foods, bowling issues, drugs and photo items as investment demand rotated through the likely groups.

Oils were laggard more or less throughout the year with the exception of some of the merger items such as Honolulu Oil which sold out its assets and was delisted as it liquidated before the year was quite complete. It won't be around for the final bell, consequently.

Amerada, which had been the long-time post-War II favorite with institutional and professional fund managers, was one of the few that managed to stir up fanfare at times. The interest in it erupted in the year's late week. It nearly doubled from its 1961 low to the high. By comparison, such a favorite as Standard Oil (New Jersey) held for the entire year in a range of around a dozen points and Socony's 1961 range was only a bit wider.

Rails were laggard throughout but that has been their role for several years now. The last show of popularity for them dates back to 1956 when, by most of the rail averages around, they had a fling that for a time looked like they were getting in position to better their 1929 peak which the industrial section had done far earlier. But they never carried through to the peak level and have been drab ever since.

The Unilever Dilemma

The unusual item in the year's late trading was the twin-issue Unilever. Shares of both Unilever, Ltd., the British company, and Unilever, N. V., the Dutch sister-company were admitted to trading on Dec. 12 and at the start proceeded to roll up some thoroughly respectable volume figures. In less than two weeks the British shares' turnover was nudging the two-million line which is good work for some issues for an entire year. Trading in the Dutch shares was far slower but they gave volume a full measure of support in heading for the half million turnover mark by the year's end.

After the initial play—the British shares' first four days of trading accounted for better than 1½ million of their volume—the excitement died down and the wide price swings were gone as they settled down to more mundane trading.

Both issues had their followers and it was largely a case of debating the relative merits of one of the two. Many of the market students had expected the Dutch shares to be the trading favorites since the dividends from this half of what is basically a single operation are not taxed at the heavy British rate which is 38.75%.

But analyzing the two companies isn't quite that simple. For a high-bracket American investor the British shares offer a measure of tax relief for the withheld tax and a lower tax liability on the smaller payment from the British half. Then the tax withholding affects the dividend yield which for the British shares is a below-average 1.5% while that on the Dutch shares runs 2.2%.

Some of the popularity for the British shares also stemmed from their lower market price since the analysts had pretty much concluded that the market price for the British shares should run about 6/10ths of that for the Dutch shares. And there were times when the British ones were available for almost half as much as the Dutch ones, to add to their popularity as the "undervalued" ones in this twin operation.

[*The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.*]

Harriman Ripley Names Officials

Harriman Ripley & Co. Incorporated, 63 Wall Street, New York City, underwriters and distributors of investment securities, has

James M. O'Neil Philip W. Carow, Jr.

announced the election of Philip W. Carow, Jr. as a Vice-President, James M. O'Neil as Assistant Vice-President, and Miss Florence T. Bush, as Assistant Secretary, the first woman officer in the history of the firm.

Mr. Carow has been a member of the company's sales organization since October, 1945 and was recently named head of the Syndicate Department.

Mr. O'Neil has been a member of the Buying Department since 1956.

Miss Bush joined Harriman Ripley & Co. Incorporated in August, 1944 and is a member of the Personnel Division.

Oz Publishing Stock Offered

Laren Co., 26 Broadway, New York City, and associates are offering publicly 140,000 common shares of Oz Publishing Corp., at $3 per share. Net proceeds will be used by the company for the payment of debt, purchase of automation equipment, modernization of shipping facilities, addition of a new greeting card line and for working capital.

The company of 156 Fifth Ave., N. Y., is engaged in the design, production and sale of contemporary and conventional greeting cards. Authorized stock consists of 700,000 20¢ par common shares, of which 540,000 will be outstanding upon the completion of this financing.

Montgomery Savs. Center

SAN FRANCISCO, Calif. — Montgomery Savings Center has been formed with offices at 117 Montgomery Street to engage in a securities business. Officers are Joseph B. Morris, President; James L. Brown, Vice-President; and C. A. Morris, Secretary-Treasurer.

Joins Mason Brothers

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif.—John F. Dolan has joined the staff of Mason Bros., First Western Building, members of the Pacific Coast Stock Exchange. He was formerly with Francis I. du Pont & Co. and Harris, Upham & Co.

BANK AND INSURANCE STOCKS: This Week — Insurance Stocks

THE CONNECTICUT GEN'L-AETNA INSURANCE AFFILIATION

On Jan. 3, stockholders of the Connecticut General Life Insurance Company will vote at a special meeting to approve or disapprove an exchange of shares plan with Aetna Insurance Company. The expected affirmative vote of the stockholders will be another major step in Connecticut's General's long endeavor to affiliate its life operations with those of a fire and casualty insurance organization. The final step will be the acceptance of the exchange offer by holders of at least 80% of the Aetna Insurance stock prior to Feb. 5, 1962.

Connecticut General first attempted to acquire a controlling interest in a fire and casualty insurance company in 1955 but its proposed affiliation with National Fire Insurance Company was blocked by the New York Department of Insurance, which threatened not to renew Connecticut General's license in that state. The denial was based upon the New York insurance laws on the grounds that the merger would be in violation of investment regulations as well as violating the state law by putting a life insurance company in the position of actively engaging in the fire and casualty business. Out-of-state life companies must comply in substance with the New York insurance laws in order to be permitted to write business there.

Connecticut General, because of the importance of the State of New York to its life insurance operations, decided to drop its proposed affiliation with National Fire, which has since gone under the control of Continental Casualty. However, the company continued its battle in the courts with little apparent success. Both the State Supreme Court and the Appellate Division of the Supreme Court ruled with the State Superintendent of Insurance against the proposal of permitting an out-of-state life insurance company to acquire a controlling interest in a fire and casualty company. This negative view was also shared by the State Attorney General.

Therefore, it was somewhat of a surprise when on June 1, 1961 the New York Court of Appeals, the highest court in the state, on a 4-3 basis reversed the findings of the lower courts in ruling that an out-of-state life company could acquire a controlling interest in a fire and casualty insurance company without endangering its right to do business in New York.

It now appears that the way is cleared for Connecticut General to reach its long-sought goal. On Dec. 15, Insurance Commissioner Premo of Connecticut approved the proposal for the exchange of stock with Aetna Insurance. It is unlikely that any future action will prevent or disrupt the affiliation. The proposal appears to be safe from state or Federal anti-trust action or preventive legislation in New York State, particularly in view of the Aetna Life and Travelers licensed insurance activities in the state for a number of years.

The Connecticut General-Aetna Life affiliation appears to be a favorable one. Both companies have established reputations in their particular fields and association will permit them to provide complete insurance protection to their policy holders. The affiliation should improve the competitive positions of both companies in providing the necessary flexibility to meet changing market conditions in the insurance field. This is particularly true in the areas of package policies and the continuing trend towards "one-stop buying" of insurance which has broadened from the supermarket concept into so many fields.

The terms of the exchange are described by Commissioner Premo as "fair and reasonable." Connecticut General will exchange 1.2 shares of its $5 par capital stock, after the present $10 par value stock is split two-for-one, for each share of capital stock of Aetna. The exchange ratio was arrived at by negotiation between the Directors and principal officers of the two companies on the basis of reflecting consideration of underwriting results, investments, capital funds, earning power, net asset values, reserves, past growth and future prospects, market prices of the two stocks, current dividend rates and the benefits to be dervied from the association. Aetna will continue to operate as a separate company after the proposed exchange.

The Board of Directors of Connecticut General has voted a 20 cents quarterly dividend to be paid in April 1962. This reflects an increase in the company's dividend rate adjusting for the proposed 2-1 split. Aetna Insurance stockholders will thus receive an annual dividend of 96 cents as compared with the $3 paid by the company in 1961. While the reduction in dividend income may be a material disadvantage to the merger in certain casis, it is believed to be adequately compensated for by the sharp rise in market value of the Aetna stock after the news of the proposed merger was released and the advantages to be obtained by Aetna's affiliation with a strong life insurance organization.

The Connecticut Generai-Aetna Insurance affiliation is obviously a major step in the trend within the insurance industry to "all-line underwriting." The past five years have seen a number of major fire and casualty groups entering the life field either through acquisition or the formation of their own life insurance organization. Now the competitive pressure is likely to be put on the fire and casualty underwriters as more life insurance concerns enter their field.

MUTUAL FUNDS

BY JOSEPH C. POTTER

New Year's Resolutions

In this hour of feverish crystal-ball activity, which is supposed to reveal all for the year, or even the decade, ahead, it takes little clairvoyance to envisage marketplace dabblers reaching in 1962 for new hot issues that swiftly turn cold, acting on rumors that have no basis in fact and investing, then investigating.

Right now, these folks, like people everywhere, are busy making New Year's resolutions. But marketplace dabblers, again like people everywhere, tend to forget or forego promises to themselves along about the second week in January, or even earlier, usually at recurring cost in mental anguish and hard-earned money.

The promises that people, in and out of Wall Street, are more likely to keep are those made to others. A mutual fund man made one the other day and it is to be hoped that not only he will keep his promise, but that others will be encouraged to adopt the underlying philosophy. Said Murray Aronson, Vice-President of the new Cambridge Growth Fund and its sponsor, Cambridge Financial Corp.:

"One of the things we promised ourselves when we started Cambridge Growth Fund was to be completely frank about share redemptions. We intend to tell both our shareholders and the general public about them at the end of each reporting period."

As Mr. Aronson sees it, the redemption ratio is a subject many fund underwriters prefer not to mention, even when it is "gratifyingly low." People just don't like to emphasize the negative.

"Consistently low redemptions can be as revealing as consistently high share purchases of successful mutual fund salesmanship," Mr. Murray comments. "Substantial sales figures indicate that a fund has either broad distribution, particularly astute sales representation, or both. Low redemptions suggest that the same fund is being sold responsibly as well. They mean that most of its shareholders have been thoroughly inculcated with the idea that mutual funds are long-term investments, that the performance figures of any given quarter are by no means indicative of future prospects."

Properly sold, as Murray says, investors are not likely to surrender fund holdings before attaining their objectives, unless the fund itself fails to measure up.

He advances an interesting view: A fund can be victimized by high redemptions as an indirect result of its own interim investment success, Murray explains:

"What happens is that, either through faulty salesmanship or general misunderstanding, prospective investors get the idea that the fund is a 'hot issue.' They lose sight of the traditionally long-term nature of fund investing."

The disenchanted can be quick to redeem their shares. Murray says that to sell any fund as a "hot stock" is to engage in "unwitting misrepresentation." And that's about the nicest thing you can say of such a fund representative.

Redemptions, as he points out, often are prompted by the fact that the stockholder has indeed satisfied his investment objective —college for the youngster, retirement for himself. He adds:

"Redemptions made for such reasons are eminently valid and very positive, rather than negative, in their motivation. The redeeming fund should be proud of them since they clearly indicate the fund has done a good job of helping the investor achieve his investment goals."

For this reason, he suggests, many funds are missing "a golden opportunity" by treating such action as if it didn't exist or by burying the fact in small print somewhere in the financial statement. As for his fund, he promises to give redemptions "their rightful place in our reports." He also intends, periodically, to analyze for shareholders why redemptions were "especially high or unusually low."

As everyone who writes or reads financial news or analysis knows only to well, the general public has a terrible time with such things as the balance sheet, the income accounts and other material that go into a report. It is an established fact that people will throw the thing away unless the report is readable to lay folks — even entertaining. Major corporations learned this long ago, which helps to explain why reports to stockholders nowadays are slick jobs done by public relations-minded people, who don't overlok the pertinent facts either.

Mutual fund reporting has come a long way in the last few years, but there is still no dearth of companies which make it difficult for the public to get the facts. Murray Aronson has touched on only one phase of a problem that lends itself to an easy solution.

The Funds Report

Carriers & General Corp. announced that over 89% of assets at Nov. 30 were in common stocks, with the largest commitments in utilities, chemicals, drugs and petroleum issues.

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Cash sales of $1,305,861 for November, top sales of any November in **Imperial Financial Services, Inc.'s** 12-year history, Albert M. Sheldon Jr., IFSI President, announced.

Comparing month-by-month sales for the past several years, Sheldon said that sales for November, 1961, exceed November, 1960, sales by $125,847.

Imperial Financial Services Inc.'s total cash sales from January through November, 1961, were $14,024,739, an increase of 86% over the same 11-month period in 1960 when they were $7,552,188.

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Total sales of $181,442,020 produced in the six weeks from Oct. 30 to Dec. 12, by **Investors Diversified Services'** national sales force topped all previous records achieved during the annual autumn sales campaign, and passed by $44,442,000 this year's national goal of $137,000,000. Last year's campaign produced total sales of $141,904,657.

Gross dollar volume in cash sales of shares in the five mutual funds for which IDS provides investment services, amounted to $65,254,373 for the six weeks, a gain of more than $28½ million over comparable sales last year. The maturity value of the ISA face amount investment certificates sold during the campaign totaled $51,312,170.

Insurance sold by Investors Syndicate Life Insurance & Annuity Co., a subsidiary of IDS, totaled $64,875,477, up $17,198,110 over sales of policies in the 1960 autumn campaign.

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Keystone Low-Priced Bank Fund B-3 and **Keystone Lower-Priced Common Stock Fund S-4** have declared regular distributions from Net Investment Income of 46 cents and four cents, respectively. Both distributions are payable on Jan. 15 to holders of record Dec. 31.

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Nucleonics, Chemistry & Electronics Shares, one of the Templeton, Damroth group of mutual funds, reported record sales for its fiscal year, ended Nov. 30, 1961. Plan and share sales for the period amounted to $18,337,500 for a 39% increase over the preceding year and largest annual sales in its history.

William G. Damroth, T.D. President, saw in the sales increase "an expression of confidence on the part of middle-income families in the future growth and prosperity of the country especially in the scientific industries. That is because most of the gain was recorded in sales of contractual plans to men and women willing and able to pledge a portion of their earnings monthly for investment in a professionally-managed, diversified list of science-oriented companies."

* * *

Texas Fund reports it has reached "a major milestone" with net assets passing the $50,000,000 mark. It also announced that assets per share rose from $11.73 on Aug. 31 to $12.65 on Nov. 30.

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Vance, Sanders & Co., Inc. increased its sales and earnings for the fiscal year ending Oct. 31, the Boston-based company reported.

Total sales of the five mutual funds offered to the public under Vance, Sanders sponsorship amounted to $193,788,050 for the fiscal year. This compares with sales of $176,236,065 last year and represents an increase of 10%.

Net income after taxes and all charges amounted to $1,024,508, equal to $1.21 a share. This represents an increase of 48% over the per share earnings figure of 81 cents a year ago on net income of $651,885. The increase allowed the firm's directors to declare an extra dividend of 25 cents per share in addition to the regular dividend of 70 cents per share.

LETTER TO THE EDITOR:

Future Price of Silver Once Demonetization Occurs

Commentator concurs with President Kennedy's proposal to demonetize silver. He finds its usefullness compared to gold for monetary purposes does not warrant even its status as bi-metallic backing for our currency. Mr. Shull predicts the Treasury will not be in the market for silver bullion for many years, and avers it is entirely conceivable that the time may not be far off when producers will regard 91¢ per ounce of silver as an attractive price.

Editor, *Commercial and Financial Chronicle:*

An interesting development currently in the news is the report that the Kennedy administration plans to discontinue the practice of backing our smaller denominations of paper money with silver, and replace all of those "Silver Certificates" with Federal Reserve Notes. Also, according to the report, the Treasury has suspended any further sales of silver from its reserves, which it had been doing over the years at the Federally pegged price of 91 cents an ounce. This action on the part of the Government immediately resulted in a quick rise in the market price of silver, carrying it to a high of about $1.00 an ounce before the market quieted down. [**Ed. Note:** Prices stayed at $1.04¾ during the week of December 20, 1961.]

Frederick G. Shull

It appears that the 91¢ price set by the Government has been regarded as too low by the silver producers, resulting in their withholding their silver from the market and increased demands on the Government for supplies from its reserves. According to the press report the mining interests feel that "silver belongs in back of paper currency because it increases the money's value." That view is open to question, and will be dealt with later herein.

Sees No Need for Bi-Metallic Backing

On the other hand it is stated that Treasury officials feel that silver has become more of a metal commodity, and should take its place as such along with copper, lead and the other common metals. This would appear to be a reasonable view on the part of the Treasury officials; for there is no need for bi-metallic backing for our currency—all we need is a properly functioning gold standard, and that will perform the service better and more adequately than silver. We need a gold standard whereby the Government guarantees that every dollar of our currency — whether it be silver, copper and nickel coins, or paper money — shall carry a value of 1/35th of a fine ounce of gold per dollar, and so maintained by the restoration of the sound principle of redeemability, on demand, of all types of currency at that fixed value. Following are facts to keep in mind:

There are 371.25 grains of pure silver in our Silver Dollar; and, since there are 480 grains per troy ounce, it becomes apparent that even at $1.00 per ounce for silver there is only 77.3¢ worth of silver in a Silver Dollar. But since a silver dollar represents a value of one dollar in our currency system, the 371.25 grains of silver needed to coin a Silver Dollar thereby takes on the value of 480 grains of silver bullion — thus resulting in a value of $1.29 for one ounce of silver in the form of silver coin. The interrelationship of gold to silver, therefore, becomes 27 to 1, as against the well-known 16 to 1 relationship that existed from 1837 to 1933. To illustrate the point, $35 per ounce for gold, divided by $1.29 per ounce for silver, results in the quotient of approximately 27. And since the market price of silver would need to rise above $1.29 an ounce in order to be equivalent to the value of one gold dollar, and since there is little likelihood that silver will ever closely approach that level, it cannot be sustained that "silver belongs in back of paper currency because it increases the money's value."

With the Treasury's discontinuing the sale of silver, and utilizing its current sizable stockpile of silver for replenishing its needs for silver coinage, it is unlikely that the Treasury will be in the market for silver bullion for many years. Therefore the silver producers will have to look chiefly to the industrial users of silver as a market for this metal—the same as is true of users of lead, zinc, aluminum and the like. And it is entirely conceivable that the time may not be far off when silver producers will regard the old 91¢ per ounce as an attractive price for their product.

FREDERICK G. SHULL
2009 Chapel Street
New Haven 15, Conn.

NEWS ABOUT BANKS AND BANKERS

Consolidations • New Branches • New Officers, etc. • Revised Capitalizations

Daniel P. Davison, Roderick M. MacDougall, Edgerton G. North, Jr., and Gilbert W. Workman have been elected Vice-Presidents of **Morgan Guaranty Trust Company of New York,** it was announced Dec. 26 by Henry C. Alexander, Chairman of the Board. All were formerly Assistant Vice-Presidents.

Mr. Davison, assigned to the general banking division, joined J. P. Morgan & Co. Incorporated in 1955. He became Secretary of the Morgan Bank in 1957 and held that position in Morgan Guaranty until his assignment to general banking as an Assistant Vice-President in September of this year.

Mr. MacDougall, also in general banking, joined **Guaranty Trust Company of New York** in 1951 and became an Assistant Vice-President in 1958. Mr. North, assigned to the corporate research division, was employed by Morgan in 1950 and became an Assistant Vice-President in 1958.

Mr. Workman is in the bank's "City" office in London, where he was employed by Guaranty Trust in 1929. He has been an Assistant Vice-President since 1959.

Election of six Assistant Vice-Presidents also was announced. They are Jacob M. Cath, William E. Herrlich, Richard A. M. C. Johnson, Charles E. Phillips, all in the corporate research division; William E. Ellson and John G. Thompson, in the municipal bond department.

William F. Downey, William F. Enos, Hans C. Vitzthum, and Donald D. Wrisley were elected Assistant Treasurers in the international banking division. Robert Y. Garrett, William H. Miller, and Russell S. Reynolds, Jr., were elected Assistant Treasurers in general banking. Louis R. Modave was elected an Assistant Secretary in the Brussels office, and Arthur N. Thorne an Assistant Secretary in London.

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First National City Bank, New York, announced the appointment of John E. Thilly and Alfred M. Vinton as Senior Vice-Presidents. Mr. Thilly is in charge of staff administration for the bank's Metropolitan Division and Mr. Vinton supervises the bank's activities in the East-Caribbean area. Both were formerly Vice-Presidents.

Appointed as Vice-Presidents were: Alfred W. Ambs, National Division; Waldon J. Hennessy, Automation Planning; DeWitt Hornor, Bond Administration; Homer C. Lathrop, Jr., National Division; Donald M. Lovett, Metropolitan Division; Harold M. Mills, Metropolitan Division; John J. Reynolds, Personal Credit Department; Leslie C. Riggs, Personnel Administration; Gerald E. Sherrod, National Division; Charles O. Stapley, National Division. All were formerly Assistant Vice-Presidents.

George Thiel was appointed Resident Vice-President and continues in charge of the bank's Paris office. He was formerly Manager.

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John P. Landolt, John B. Mall and Allan R. Trimmer have been appointed Assistant Secretaries of **Chemical Bank New York Trust Company, New York,** Chairman Harold H. Helm announced Dec. 27, 1961.

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Irving Trust Company, New York, announces the promotion of Alexander S. Cunningham and Louis L. Seaman from Assistant Vice-President to Vice-President.

Both men are engaged in lending and business development activities in the bank's branch offices. Mr. Cunningham is at the 39th Street and Madison Avenue office and Mr. Seaman at the 42nd Street and Park Avenue office.

At the same time the following were appointed Assistant Vice-Presidents: Paul D. Bordwell, William H. Cowie, Jr., Thomas E. Darrow, David J. Dowd, John W. Downey, Arthur E. Fuller, Robert G. Hildreth, Jr., Donald E. Lee, Arthur V. C. Marshall, Jon J. McFadden, John C. Sutherland and Robert T. Williams.

* * *

Thomas J. Cahill has been promoted to Vice-President of the **Chase Manhattan Bank, New York,** David Rockefeller, President, announced yesterday. Mr. Cahill, who joined the bank in 1928, is in the corporate securities order division of the investments and financial planning department. Apopinted an Assistant Treasurer in 1947, he was promoted to Assistant Vice-President in 1952.

The bank also announced the promotion to Assistant Vice-President of Gordon F. Ahalt, William G. Gridley, Jr., Kenneth T. Hoeck, Jr., and Mahlendorff Howitt, all in the United States department, and of Leo S. Martinuzzi, Jr., international department.

Named Assistant Treasurers were William R. Hinchman, Jr., Donald K. Miller, and David F. Springsteen, of the United States department. Donald A. Baldyga was appointed Accounting Officer and John D. Emerson, Petroleum Economist.

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Landon K. Thorne, Jr., has been elected Vice-President of **Bankers Trust Company, New York** and has also been named Managing Director of the bank's two overseas investment companies: Bankers International Corporation and Bankers International Financing Company, Inc. The announcement was made Dec. 27 by William H. Moore, Chairman of the Board.

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The Emigrant Industrial Savings Bank, New York, has announced the appointment of Robert A. Gay as a Director.

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The West Side Savings Bank, New York, announced Dec. 20 the election of Edward Maher as a Director.

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Frederick J. Freese has been elected Senior Vice-President of the **Bronx Savings Bank, Bronx, N. Y.,** it was announced Dec. 20. Mr. Freese, presently a Vice-President of the **Chase Manhattan Bank, New York,** will assume his new position on Jan. 1. He succeeds Owen A. Locke, who will retire after 25 years with the bank.

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James MacGeorge, an Assistant Vice-President of **The Dime Savings Bank of Brooklyn, N. Y.** and Manager of its Bensonhurst branch office, Dec. 26 observed the 35th anniversary of his employment by the bank.

Starting as a signature clerk on Dec. 26, 1926, Mr. MacGeorge has moved up steadily through various positions in The Dime's main office and its Bensonhurst branch.

He became chief clerk in the main office in downtown Brooklyn in 1950 and served as chief supervisor there from 1952 to 1955 when he was appointed Assistant Manager of the Bensonhurst office.

On June 23, 1959, he attained officer rank when he was named an Assistant Secretary and promoted to the post of Manager of the Bensonhurst branch. On March 18, 1960, Mr. MacGeorge was elected as Assistant Vice-President of the bank while continuing as Bensonhurst Manager.

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The Dime Savings Bank of Brooklyn, N. Y., Dec. 20, announced the election of Joseph T. Sharkey as Chairman and Ray W. Kline, as President.

Mr. Kline, a Trustee of the bank for the last 10 years, will succeed Theodore A. Malmberg, who is retiring as President after a 40-year association with the bank.

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Paul F. Ely was elected President of the **Brooklyn Savings Bank, Brooklyn, N. Y.,** succeeding George J. Bender, who resigned. My. Ely is a Vice-President of **Manufacturers Hanover Trust Co., New York,** from which he has resigned.

Mr. Bender, 55 years old, joined the bank in 1945 and has been a Trustee since 1953 and President since 1957.

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Paul W. Connelly, President, **Fulton Savings Bank, Kings County, Brooklyn, N. Y.,** announced the promotion of Timothy A. Murphy from Assistant Secretary to Assistant Vice President.

Mr. Murphy, who joined the bank in 1934, has been associated with mortgage operations.

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Thomas H. Quinn has been named Vice-Chairman of the Board of the **Valley National Bank of Long Island, Valley Stream, N. Y.** and Joseph P. Enright has been elected Administrative Vice-President, and Nelson C. Osborn, Jr., has been elected a Senior Vice-President.

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Troy J. Baydala has been elected a Vice-President of the **Franklin National Bank, Franklin Square, New York.**

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The Board of Directors of the **State Street Bank and Trust Company, Boston, Mass.,** promoted Edward P. Roberts and Henry C. Schultz, Jr. to Vice-Presidents.

* * *

W. Myron Weed, President of the **Citizens' Savings Bank, Stamford, Conn.** died Dec. 21 at the age of 70.

Mr. Weed joined the bank in 1916 as a bookkeeper-teller and rose to the Presidency in 1949. He was also a Director of the **Fairfield County Trust Company.**

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S. Lawrence Hedges has been elected a Vice - President of the **First New Haven National Bank, New Haven, Conn.**

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Edward Groth, 78, President of the **Commercial Trust Co. of New Jersey, Jersey, City, N. J.,** until his retirement in 1959, died Dec. 17.

Mr. Groth had served the Commercial Trust Co. in various posts since 1902.

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The National State Bank of Newark, N. J. announced Dec. 22 the appointment of three new Vice-Presidents. They are: Carmen R. DeSantis; D. Kenneth Sias and George W. Pultz.

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John C. Barbour, Chairman and chief Executive Officer of the **New Jersey Bank and Trust Company, Passaic, N. J.** announced Dec. 22 that he will retire next Jan. 18. Norman Brassler and Edward H. Roden, now Executive Vice-Presidents, have been elected Chairman and President, respectively.

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William G. Foulke, 49, Executive Vice-President of the **Provident Tradesmens Bank and Trust Company of Philadelphia, Pa.** was elected to the Board of Directors.

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The Wilmington Trust Co., Wilmington, Del. elected H. Franklin Baker, Charles E. Bichy and Henry van der Goes Vice-Presidents.

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State-Planters Bank of Commerce & Trusts, Richmond, Va. elected Rawley F. Daniel a Vice-President, of marketing division, succeeding Charles E. Moore, Jr., who returns to commercial lending and customer service at the main office.

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Comptroller of the Currency James J. Saxon, Dec. 19, declared **The First National Bank of Maud, Maud, Okla.,** insolvent and appointed the Federal Deposit Insurance Corporation as Receiver. This action was taken due to the disclosure, during an examination, of apparent irregularities in sufficient amount to render the institution insolvent. The deposits of the bank are insured by the Federal Deposit Insurance Corporation to a maximum of $10,000 for each depositor.

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First American National Bank, Nashville, Tenn. elected Howell H. Campbell, Jr., and Franklin M. Jarman, Directors.

* * *

Albert Harrington Cox, Jr., has been elected an Assistant Vice-President of the **Republic National Bank of Dallas, Texas** and will serve the Bank as associate economist.

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John N. Hunt has been elected Senior Vice-President of the **Texas National Bank, Houston, Texas.**

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Formal recommendation by the Board of Directors of **First City National Bank, Houston, Texas** to the stockholders to increase capital and surplus accounts of the Bank by $2,500,000 each was voted Dec. 21.

Stockholders will consider the recommendations and vote on them at the stockholders' meeting of Jan. 16.

According to J. A. Elkins, Sr., Senior Chairman of the Board, the capital will be increased from $27,500,000 to $30,000,000 by the distribution of 250,000 shares to present shareholders, subject to approval at the annual meeting of stockholders Jan. 16.

At the same time, the surplus account will be increased from $27,500,000 to $30,000,000 by transferring $2,500,000 from undivided profits.

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United California Bank, San Francisco, Calif. elected Dwight M. Cochran a Director.

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Union Bank, Los Angeles, Calif. has announced the appointment of H. Warner Griggs, as Vice-President in charge of correspondent bank relations.

Mr. Griggs formerly held the post of Vice-President at **Northern City National Bank,** and **Duluth National Bank,** both in Duluth, Minn.

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Plans to merge the **Dallas City Bank, Dallas, Ore.** with the **First National Bank of Oregon, Portland, Ore.,** were announced Dec. 21 by Ralph J. Voss, First National Bank President, and Ralph E. Williams, President of the Dallas bank.

The proposed merger is subject to the approval of the Comptroller of the Currency in Washington, D. C., and shareholders of each bank.

The Dallas bank listed deposit figures of $5,102,496 and resources of $5,548,718 in its Sept. 27, report to the comptroller.

First National reported deposits of $895,752,179 and resources amounting to $1,005,662,031 in the bank's Sept. 27, report.

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Adolph D. Schmidt, Jr., has been elected a Director of the **Seattle-First National Bank, Seattle, Wash.**

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The Canadian Imperial Bank of Commerce, Toronto, Canada announced the appointment of Basil E. Langfeldt as Assistant General Manager at the Bank's regional office in Calgary, Alberta.

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The Bank of Bermuda, Ltd., Hamilton, Bermuda, has appointed Jason Gould as its representative in North America. His headquarters will be in New York.

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The election of Dr. Samuel Schweizer as Chairman of the Board and Chief Executive Officer of **Swiss Bank Corporation, Basle, Switzerland,** with an American agency at 15 Nassau Street, N. Y. C., was announced Dec. 20. He succeeds the late Dr. Rodolphe Speich.

Dr. Schweizer became an officer in 1934. He rose through the ranks, was named Manager of the bank's Basle office, and was elected as a member of the General Management of the bank in 1952.

Announcement also was made of the election of Dr. Edgar F. Paltzer, agent for the bank at the New York office, and Theodore E. Seiler, the bank's Resident Representative in South America, to the General Management with headquarters in Basle. Dr. Paltzer's experience in banking covers Basle and London from 1928 through 1938, and from July, 1939 he has served Swiss Bank in New York in various capacities, being named agent of the New York office in 1947.

Mr. Seiler had been headquartered in New York for almost six years and in 1953 he became the bank's Resident Representative in South America. He established and has supervised branches in Rio de Janeiro and Sao Paulo, Brazil; Lima, Peru, and Buenos Aires, Argentina.

Named Director

Component Specialties, Inc. has announced the election of Israel Rubinstein to the Board of Directors of the company. Mr. Rubinstein is Vice-President of Fund Planning, Inc.

Isreal Rubinstein

Component Specialties is engaged in the large scale importation and distribution of electronic components which are sold to manufacturers and retail stores throughout the United States by the company directly and through jobbers.

Hunley Joins Bosworth, Sullivan

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Charles H. Hunley has become associated with Bosworth, Sullivan & Company, Inc., 660 17th Street, members of the New York and Midwest Stock Exchanges. Mr. Hunley has recently been with Currier & Carlsen Incorporated. Prior thereto he was in the research department of Lowell, Murphy & Co., Inc.

Tsolainos to Admit

Theodore Tsolainos & Co., 44 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Victor G. Falbo to Partnership.

Study of Investment Banking Industry Underway

Grant of $150,000 by IBA will finance project being conducted by the Wharton School of Finance and Commerce. IBA Research Committee, under Chairmanship of Ralph F. Leach, to function in a consulting capacity. Proposed scope and objectives of study are designed to make available initial authoritative data on central role played by securities underwriting industry in nation's economy.

Investment bankers of the nation are now in the process of providing basic information on their industry and on the new issue market for the large scale research program being conducted by the Wharton School of Finance and Commerce, University of Pennsylvania, under a $150,000 grant by the Investment Bankers Association of America.

Publication of timely and significant findings is expected before the end of 1962 with the issuance of the first of a series of studies growing out of the project, according to a report made on November 28, to delegates at the Annual Convention by Ralph F. Leach, Vice President and Treasurer, Morgan Guaranty Trust Company, New York, Chairman of the IBA Research Committee.

"Through the new issue market is channeled the major flow of savings by which business and industry is financed with private capital," stated George A. Newton, retiring IBA President, pointing out that "in spite of the central role this market plays in the nation's economy no full scale authoritative study exists. The new study is intended to fill this gap." Mr. Newton is a Managing Partner of G. H. Walker & Co., St. Louis.

This industry analysis is especially timely in the light of the recent publicity and attention given to the security markets by the financial community itself, by the press and by governmental agencies. Over three years have been devoted to developing the scope of this project and other details. Questionnaires for distribution to the investment bankers reflect the careful and comprehensive plans made in preparation for the fact-gathering.

With the exception of the U. S. Government security market (which has been studied recently elsewhere) the study will examine closely all the major sectors of the new issue market, including corporate, municipal and foreign securities. It will investigate the relative importance of each type of security activity; characteristics of new issue transactions, including the nature of the customers and the size and price structure of the transactions; interrelationships of manager, underwriting groups, selling groups and issuer; economic structure and financial characteristics of the investment banking industry, etc.

A central feature of the study will consist of a compilation of current information supplied by the investment banking industry which will serve as a basic factual background of its structure and operation. To collect the data, questionnaires are being sent to all members of the IBA and to a cross section of non-members.

Co-Directors of the study are Willis J. Winn, Dean of the Wharton School and Professor of Finance, and Irwin Friend, Professor of Economics and Finance, Wharton School. Other members of the Wharton staff assisting with the project are:

- Arleigh P. Hess, Jr., Associate Professor of Economics.
- James R. Longstreet, Lecturer in Finance.
- Morris Mendelson, Associate Professor of Finance.
- Ervin Miller, Associate Professor of Finance.

Serving as liaison between the Association and the Wharton project staff and acting in a consulting capacity, is an advisory committee under the Chairmanship of Ralph F. Leach of Morgan Guaranty Trust Co., New York City. Other members of the Committee:

William M. Adams
Braun, Bosworth and Company
Detroit, Mich.

Amyas Ames
Kidder, Peabody and Company
New York, N. Y.

W. Yost Fulton
Fulton, Reid and Company
Cleveland, Ohio

Murray Hanson
Investment Bankers Association
Washington, D. C.

George A. Newton (Ex-officio)
President of IBA
G. H. Walker and Company
St. Louis, Mo.

Thomas M. Johnson (Ex-officio)
Vice-President of IBA
The Johnson, Lane, Space Corporation, Savannah, Ga.

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Nature and Scope of Projected Study

Some indications of the breadth and objectives of the study which, as previously noted, will be made under the co-direction of Messrs. Willis J. Winn and Irwin Friend, is evidenced in the following announcement on behalf of the Wharton School of Finance and Commerce:

It is proposed that the Wharton School conduct a comprehensive study of investment banking and the new issues market—an area in which there are glaring gaps in our basic information. While there have been several comprehensive studies of the money market and of the market for outstanding security issues, there has been no corresponding study of the market for new issues through this is the basic market for the provision of long-term capital in our economy. The proposed study would parallel in many respects the earlier study of the over-the-counter markets in outstanding securities carried out by the Wharton School several years ago.

The proposed study by the Wharton School would embrace every area related to the new issues market. To the extent possible, it is intended to cover not only the issues of U. S. corporations, but also foreign, U. S. Government and state and local issues handled by domestic investment banking firms, and not only the recent period, but representative periods in the past. However, the emphasis will be on corporate and municipal issues and on recent developments.

The methodology would be similar to that employed in the over-the-counter markets study. Large scale sampling techniques would be employed, involving the customary questionnaires, follow-up interviews, etc. The basic sample would probably consist of 100% coverage of the U. S. members of the Investment Bankers Association of America plus a representative sample of 20% of other firms engaged in various aspects of the securities business. It would also be desirable to draw small samples of issuers of securities and, probably, institutional purchasers. More precise determination of the nature of the samples would be made after consultation with representatives of the I.B.A. and other interested parties. It is possible, indeed, that in order to reach the desired coverage and yet be realistic in terms of what might reasonably be expected of different types and sizes of respondents, more than one variant of a given questionnaire may be employed. Also, while much of the study will require information for more than a single period, it probably will be possible to cover only one year—which might be 1960—in a completely comprehensive fashion. This year would serve as the base for comparison with earlier periods as well as for any similar compilations in the future.

Questionnaire techniques would give us our data for the present and very recent past. For restricted comparisons with periods in the more distant past which are possible, we would draw heavily on data already available, e.g., in the S. E. C. materials, in the volumes developed for the recent anti-trust suits, etc.

The end result would be a comprehensive body of new and definitive statistical information, a searching, interpretive analysis of the data, a description of situations not readily amenable to statistical treatment, and an interpretative analysis of situations so described.

The following indicates the intended scope of the study:

A. Alternative Avenues for the Issuance of New Securities—An Overall View.

Here would be treated in a comprehensive quantitative as well as qualitative manner, the several broad methods whereby new securities may be put in the hands of the public. First, direct public issues (i. e., sold without any use of investment banking facilities, be it financial or managerial) would be examined and analyzed with respect to characteristics of issuers, issues, customers and transactions. We would be interested in such matters as size and industry of the issuer, general type of securities and special features attaching to them, size and financial importance of issues (both to the issuer and to financial markets), the nature of the purchasers (e.g., institutional versus individual), size of transactions, method of payment by the customer, selling methods of issuers and the extent of use of "rights" offerings. Historical trends would be examined, although emphasis will be on the present. The quantitative importance of this area would be considered along with the reasons for its use and its significance for investment banking and the future of securities issuance. In this connection stress here (and throughout the study) would be placed not only on aggregate statistics, but also on measures showing the nature, extent, and frequency of departures from what might be regarded as "norms."

Direct placements would receive careful attention, with an analysis, to the extent relevant, along lines similar to that for direct public issues. In addition, the role played by investment bankers would be examined. The great growth of non-banking financial institutions in this area is of special interest, including not only life insurance companies, but also pension funds (both private and public), investment companies and other financial organizations. The types of agreements made by each, the types of securities in which each is interested, and the implications of all this for corporation (and public) finance and investment banking would be considered. Quantitatively at least, term loans will be considered as a form of direct placement for the purposes of this analysis.

Main Area of Interest

Turning now to our principal area of interest, new public issues sold with the use of the financial and/or managerial services of the investment banking industry, we would initially make an over-all survey of investment banking, including a brief history of the industry in the U. S. with emphasis on evolutionary characteristics. The subsequent analysis generally would proceed along the lines indicated in the preceding paragraphs, where applicable. Thus we would again be interested in the characteristics of issuers, issues, customers, and transactions, including size and industry of the issuer, size and financial importance of issues to both issuer and the financial markets, general and special features of the securities, the nature of the purchasers and the characteristics of their purchases. We would consider the types of commitments to issuers, whether outright purchase, a best efforts basis, or a stand-by underwriting, etc. We would consider the relative importance of "rights" versus "non-rights" offerings and of issues sold at competitive bidding versus those sold on a negotiated basis.

We would also be interested in the characteristics of the investment banking firms in relation to characteristics of issuers, issues, and customers. In all this, as indicated above, we would place stress continuously, not only on aggregate statistics, but also on measures showing the character and importance of departures from the "average."

We would be interested in assaying the importance of new issues in the total financing of firms. This would involve an examination of internally-generated funds and at least a brief look at the volume of bank credit, particularly with respect to its substitutability for new issues of securities. It would also involve a careful study of the extent and characteristics of lease and lease-back financing in recent years as well as other developments competitive with new issues.

Finally, despite our obvious principal interest in new issues, it will be necessary, for the sake of completeness, to pay at least brief attention to secondary offerings of securities—their importance and the significance of investment banking machinery for their success.

This section may also include some international comparisons.

B. Organization of the Investment Banking Industry.

Here we would study the industry from a large number of points of view. We would examine the numbers of firms which actually participate in floating new issues, the relative importance of firms within the group, the extent to which there are new firms, the legal forms of organization of firms, and relevant historical trends. We would want measures of concentration of volume within the industry, especially in terms of classes of securities, currently and in the past. This, in turn, implies an analysis of specialization within the industry by the many forms which specialization may take. This includes such items as marketing region, class of security, quality of security, industry of the issuer, level of securities marketing (retail, wholesale, etc.) and type of transaction (e.g., promotion and facilitation of mergers). The other side of the coin here is the non-specialized firm: its significance vis-a-vis firms variously specialized. In connection with specialization, the role of the large commercial banks in issues of state and local securities might receive special attention.

To Analyze Syndication

Syndication and its historical trends would be examined closely. Here we are interested in such matters as the organizational structure of, and distribution of functions within syndicates, types of agreements and commitments, the roles of type, quality, and size of issue, criteria for the selection of members of syndicates, and criteria for allotting securities among participants.

We would also wish to consider the nature of sales efforts made by investment banking firms. This would involve the relationships between a firm and its public customers. It would include the criteria for the allotment of securities to customers when demand appears to exceed supply at offering prices. It would also involve the compensation to salesmen and any device for facilitating sales (e.g., in arranging switches from old securities to new offerings).

Among other matters of interest here are the character and extent of diversification of firms within the industry into areas related to investment banking, and the role of industry associations.

C. The Finances of the Investment Banking Industry.

At the outset, we would want a picture of the capital of the industry and measures of its dispersion and concentration. This would require a balance sheet picture of the industry and its sub-groups, with a clear picture of assets and liabilities. It would be necessary for this purpose, to the extent possible, to eliminate the estimated portions of assets and liabilities relating to activities of investment houses other than the issuance of new securities (and secondary offerings).

Measures of the relative profitability of the industry would be sought and this again would require isolation and separation of activities not relating to new (and secondary) offerings. An analysis of relevant income and expenses would be made. It would be necessary to determine on the income side, such items as margins between buying and selling prices for new issues and secondary offerings by type of offering, stand-by fees, managerial fees in the origination of issues, fees for advisory services, fees for handling direct placements, profits from "special deals" (e.g., sponsorship of mergers), interest and dividend income, profits from support operations in securities floated, etc. On the expense side would be such items as salaries, fees for technical, legal, research, and related services; selling and sales promotion expenses; interest expenses; governmental taxes and fees; losses in support operations of securities floated; other losses; miscellaneous general and administrative expenses; etc. From all this, we would expect to obtain a picture of the rates of return on capital invested in the investment banking business.

A flow of funds analysis would be utilized. Our purpose here would be to give a complete picture of the gross sources and uses of funds within the industry and to determine costs of funds analyzed by source.

An analysis of operating margins would be made in terms of costs to the issuer by class and quality of security, and by size of issue and issuer. An analysis of unpaid services to issuers would be necessary.

We would also examine the types of compensation granted for the flotation of securities. Of obvious significance would be a picture of non-cash methods, e.g., securities and options to purchase securities. We would want to know their quantitative importance, their association with any specific characteristics of securities, issuer, or investment banker, and their implications for corporate financing.

Finally an attempt will be made to determine the impor-

tance to investment banking firms of the income derived from sources other than flotation of securities.

D. New Issues, Investment Banking and the Behavior of Securities Markets.

We plan to analyze the impact of processes associated with the flotation of new securities on the functioning of the securities markets. We are interested in those markets both before, during and after security flotations. We would be concerned with such matters as price and inventory effects for various types of securities under varying economic and financial conditions. Pricing policies and procedures would be examined generally, including those under competitive bidding, and the significance of underwriter support of the market during offering periods would be appraised. All of this, in turn, we would hope to relate to the profitability picture discussed above. Where relevant, "rights" issues would be separated from "non-rights" issues in order to appraise the significance of this feature.

Impact of Direct Placements

The implications of direct placements for the behavior of security prices are of interest here. Likewise the implications of direct placements and of the rapid growth of non-banking financial institutions for the direction of the flow of savings must be examined. To illustrate, it may be that these developments will lead to relative shortages of securities available to individuals and, in turn, to an accelerating shift to savings through institutional intermediaries.

Policies relating to handling of unsold securities and to after-issue markets in general are clearly important as a market force. Important are the nature of syndicate arrangements, support policies, and financing methods. In all this, the historical picture and evolutionary trends should prove most interesting. Of particular significance would be the continuing role of investment firms in making markets for securities which they have sponsored.

Some time must be devoted to direct public issues, i.e., to those offered by issuers directly to the public. This will give a basis for a comparative picture.

Finally, an examination of the impact of monetary policy on the flotation of securities would be of much interest in this as well as other connections. It has been obvious that central bank actions (and inactions) have affected the risks, costs, and inventory policies of investment bankers; the costs to the issuer; the characteristics of securities issued; the timing of issues; the attitudes of security customers; the choices between alternative sources of funds for potential issuers, etc. Indeed, monetary policy in part requires for its effectiveness certain types of impacts upon the behavior of the new issues market. It should be noted that the Commission on Money and Credit, which is currently making a large-scale study of the behavior of our monetary system, has apparently not been able to obtain from the investment banking industry the basic information needed for comprehensive analysis, though obviously the C. M. C.'s recommendation might be expected to affect significantly the industry's operation. This will leave a gap which we would hope to fill in some degree.

E. Problem Areas in the Issuance Of New Securities.

Up to this point (items A through D) we have discussed items which would probably be indispensable in a study of the new issues market and investment banking. We now turn to items of great importance for a well-rounded, comprehensive picture, and for a broad understanding of the role of investment banking in our rapidly changing economy. The extent of actual coverage, however, would be dependent upon the adequacy of resources.

Here vast scope is obviously offered to the analyst. We indicate here some of the important items. The existing regulation of security flotations merits an appraisal, its strengths and weaknesses to be made clear. For example, the question of the character of advertising and publicity needs review, especially in connection with small issues. Likewise the question of exemptions from registration needs examination, including both the small issue and the large direct placement. In part we would be appraising how well the S. E. C. has done its job. Comparisons with foreign practice and with former periods in our history might be helpful here. Trends in the character and effectiveness of state regulation would also be significant.

Some analysis should be made of the implications of diversification of activities in investment banking firms. For example, how are potential conflicts of interest handled involving the public customer, the issuer, the investment banking firm, and at times even other organizations such as investment companies that may be related to the investment banking firm in some manner? There are many neat questions to be considered here, both in the interests of the public and the investment banking industry.

A number of problems involving the relationships of investment bankers and corporate issuers ought to be explored. Compensation methods offer an obvious case in point. Related here is the question of competition among investment bankers for corporate business and the ease of access by business to investment banker facilities, including small business.

To Reevaluate Competitive Bidding

Competitive bidding should be reassayed. Its effectiveness and shortcomings in practice should be analyzed and its over-all merits scrutinized.

The adequacy of the financial base and methods of financing the investment banking industry should be appraised. Here we are concerned both with the adequacy at the individual firm level and with resources of the industry as a whole.

Innovation in the industry is of importance. This includes both the organization of the industry and the functioning of individual firms. It includes the machinery for the distribution of securities and the tailoring of the characteristics of securities.

Finally, we would attempt an appraisal of the over-all effectiveness of the investment banking industry and of other channels of distributing new securities in the light of appropriate economic criteria.

Named Director

Heribald Naerger, Executive Vice-President of Bayerische Vereinsbank, Munich, Germany, has been elected to the board of directors of Nelson Fund, Inc. Besides being a member of the board of Nelson, Mr. Naerger is director of Eurinvest S. A., Luxemburg (an open-end investment fund), and Commonwealth & European Investment Trust, Luxemburg (a closed-end investment fund).

Joins Hutton Staff

(Special to The Financial Chronicle)

ATLANTA, Ga.—Thomas J. Rubel has joined the staff of E. F. Hutton & Co., 2 Pryor St., Southwest. He was formerly with Walston & Co., Inc.

Fourth Generation Joins NYSE

When Charles E. Schafer, III, stepped onto the New York Stock Exchange trading floor Dec. 22 he was the fourth generation of the Schafer family to be an Exchange member. His great-grandfather, Samuel Schafer, member of the investment banking firm of Schafer Brothers, became an Exchange member in 1860. His grandfather, Charles E. Schafer, I, was an Exchange member until his death in 1917. Father of the newest Exchange member, Charles E., II, specialist and a member of Somers, Schafer & Collins, 120 Broadway, became an Exchange member Jan. 9, 1936, after a long career in the Street, where he started as a runner.

The Schafer family joins the Henderson family as a fourth generation Exchange family. In its 170 year history the Stock Exchange boasts of only two four generation families.

Bache & Co. Appoints

BEVERLY HILLS, Calif.—Sam J. Smith, West Coast Partner of Bache & Co., has announced the appointment of Fred Carr of the Beverly Hills office of Bache & Co., 445 North Roxbury Drive, as Research Representative.

Mr. Carr joined Bache & Co. three years ago as a Registered Representative and was appointed as Southern California Representative to the financial Analysts Society in 1960. Previous to this, Mr. Carr was an Estate Counselor for Penn Mutual Life Insurance Company for four years after returning from service with the United States Army.

Cambridge to Distribute Life Ins. Investors Fund

Cambridge Financial Corp., 161 William Street, New York City, has been named the wholesale distributor for Life Insurance Investors, Inc., in eight Eastern states and Washington, D. C.

Cambridge Financial Corp. is investment-adviser and principal underwriter for Cambridge Growth Fund, a mutual fund invested primarily in growth securities.

Murray Aronson, Executive Vice-President of Cambridge Financial, will direct dealer relations.

Named Treasurer of Fund

DENVER, Colo.—James H. Reddish, First Assistant Treasurer of Financial Industrial Fund, Inc., has been named Treasurer of the open-end investment company, it has been announced.

D. M. Benson Co. Formed

D. M. Benson & Co., Inc. has been formed with offices at 25 Broad Street, New York City, to engage in a securities business. Mordecai D. Katz is a Principal.

Form First Western

MINNEAPOLIS, Minn.—First Western Corporation is engaging in a securities business from offices in the First National Bank Building. Ellsworth L. Johnson is a Principal.

L. H. Houston Co. Opens

FT. WAYNE, Ind. — Lionel H. Houston has formed L. H. Houston & Co. with offices in the Lincoln Bank Tower to conduct a securities business.

Form Schneider Corp.

Walter J. Schneider Securities Corporation has opened offices at 67 West 44th Street, New York City, to engage in a securities business. Officers are Walter J. Schneider, President, and Harry Bogatch, Secretary and Treasurer.

Golf & Tennis Scores at IBA Convention Tourneys

GOLF WINNERS

Alden H. Little—18 Holes—Low Net

1st. Mr. Dean S. Woodman, Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York.
2nd. Mr. William C. Richardson, Birr & Co., Inc., San Francisco.

Senior Tournament—18 Holes—Low Gross

1st. Mr. Gilbert Hattier, Jr., Hattier & Sanford, New Orleans, La.
2nd. Mr. F. H. MacDonald, H. O. Peet & Co., Kansas City, Mo.

Men—18 Hole Tournament

1st. Low Gross—Kenneth F. Higgins, Kinsley & Adams, Worcester, Mass.
2nd. Low Gross—Mason B. Starring, Jr., A. C. Allyn & Co., N. Y.
1st. Low Net—Herbert Anderson, Distributors Group, Incorporated, New York.
2nd. Norman Davis, Walston & Co., Inc., Denver.

Mixed Foursomes

1st. (2)—Low Gross—Mr. & Mrs V. Theodore Low, Bear, Stearns & Co., New York.
2nd. (2)—Low Gross—Mr. & Mrs. R. Burton Parker, Kay, Richards & Co., Pittsburgh.
1st. (2)—Low Net—Mr. & Mrs. Eugene Cassell, C. F. Cassell & Co., Charlottesville, Va.
2nd. (2)—Low Net—Mr. & Mrs. Howard Finney, Jr., Bear, Stearns & Co., New York.

Men—18 Hole Tournament

1st. Low Gross—Mason B. Starring, III, Dominick & Dominick, New York.
2nd. Low Gross—Thomas Lynch, III, Moore, Leonard & Lynch, Pittsburgh.
1st. Low Net—Gordon B. Duval, J. C. Bradford & Co., N. Y.
2nd. Low Net—W. Linton Nelson, Delaware Management Company, Philadelphia.

Men—18 Hole Tournament

1st. Low Gross—Thomas Cafone, W. E. Hutton & Co., New York.
2nd. Low Gross—Andrew Marckwald, Discount Corporation of New York.
1st. Low Net—Renouf Russell, F. S. Moseley & Co., Boston.
2nd. Low Net—James Conlin, Hayden, Stone & Co., New York.

Women's Kickers

Winner—Mrs. Arthur Rand, Minneapolis (Woodard-Elwood Company).

Women—18 Hole Tournament

1st. Low Gross—Mrs. Robert E. Christie, New York (Dillon, Read & Co.).
2nd. Low Gross—Mrs. Charles Cady, Columbus, Miss. (Cady & Company).
1st. Low Net—Mrs. Charles Parcells, Detroit, Mich. (Charles A. Parcells & Co.).
2nd. Low Net—Mrs. Scott Cluett, New York (Harriman Ripley & Co., Incorporated).

Women—18 Hole Tournament

1st. Low Gross—Mrs. John Ahearn, Boston (State Street Bank & Trust Company).
2nd. Low Gross—Mrs. Evans Morgan, New York (Manufacturers Hanover Trust Company).
1st. Low Net—Mrs. G. A. Alexisson, N. Y. (Walston & Co., Inc.)
2nd. Low Net—Mrs. Robert Johnson, New York (Kidder, Peabody & Co.).

Women—18 Hole Tournament

1st. Low Gross—Mrs. William T. Kemble, Boston (Estabrook & Co.).
2nd. Low Gross—Mrs. Clarence Bartow, N. Y. (Drexel & Co.).
1st. Low Net—Mrs. James Hendrix, Birmingham, Ala. (Hendrix & Mayes Inc.).
2nd. Low Net—Mrs. David Johnson, Savannah (Johnson, Lane, Space & Co.).

TENNIS

IBA—Men's Doubles Tennis Tournament

Winners—F. Barton Harvey, Alex. Brown & Sons, Baltimore, and Andrew V. Stout, Dominick & Dominick, New York.
Runners-Up—Belmont Towbin, C. E. Unterberg, Towbin Co., New York, and Charles H. Symington, Jr., G. H. Walker & Co., New York.

Mixed Doubles

Winners—F. Barton Harvey, Alex. Brown & Sons, Baltimore, and Mrs. Joseph R. Neuhaus, Houston (Underwood, Neuhaus & Co., Incorporated).
Runners-Up—Mr. & Mrs. Chas. Symington, Jr., G. H. Walker & Co., New York.

Named Director

Raymond E. Lee, President of TelAutograph, has announced the election of James N. Thayer as a director of the Hogan Faximile Corporation, of New York City.

Mr. Thayer is a partner in the firm of William R. Staats & Co., with which he has been associated the last six years. Before this he was with that company's corporate finance department in Chicago.

A. M. Kidder Branch

TARPON SPRINGS, Fla. — A. M. Kidder & Co., Inc. has opened a branch office at 221 South Pinellas Avenue under the management of William R. Dickson.

Powell, Kistler Branch

ORLANDO, Fla.—Powell, Kistler & Co. has opened a branch office at 709 Magnolia under the management of John W. Watson.

Encouraging Prospects and Potential Achilles Heel

Continued from page 1

pace of the expansion in the last few months.

III

Now, what are the sources of this uneasiness about the possibility that there is something rather fundamentally wrong with American economy? There are four principal sources of this concern. In the first place, partly for social reasons the incidence of unemployment, the proportion of the labor force unemployed, has come to be a very widely quoted barometer of the vigor of the economy. Now, the fact is that in October unemployment was running 6.8% of the labor force. That is just about exactly where it was at the bottom of the recession in February, so that this statistic of business activity has shown no discernable improvement in this period of nine months.

It is not unusual for the rate of unemployment to slide along for a few months after business activity itself turns up. It is a bit unusual, however, for unemployment to have shown no measurable diminution after we have proceeded as far as we now have in the recovery.

Retail Trade

The second source of some real concern about whether the economy is afflicted with some kind of arthritis is that retail trade has been surprisingly unresponsive to the improvement in incomes of individuals. There has been actually since last February a pretty good gain in the flow of income to consumers. The fact of the matter is, that retail sales have been stuck on a plateau, showing surprisingly little improvement. The result of this is that the proportion of the consumer's dollar showing up in the retail cash registers has been declining persistently and strikingly. Even as late as October, this proportion was 52.4%.

Let's go back to the recession of 1958, which would not be regarded as a wildly buoyant year. In that recession year of 1958 retail sales were running at the rate of 55.6% of personal income. Therefore, if retail sales were running as high now relative to personal income as they were even in that recession year of 1958, these sales would be about 6% higher. If we had retail trade running around 6% higher than now, a lot of this seeming logginess in economy would disappear.

Well, there are other indications, of course, of this cautiousness of the consumer. The saving rate, as you know, has been relatively high. It was higher in the third quarter than it had been in any other time throughout the year. The volume of installment credit extensions has been very modest relative to income, and that has been particularly true in the case of automobile credit. If consumers had been borrowing, relative to their incomes, as rapidly as they have in other years, we would have had a substantially greater volume of credit extensions to consumers than we have had in recent months.

Now, there are extenuating circumstances. Consumers are spending more on services and less on things that show up in retail trade counters. But the fact is that what has been happening cannot be explained on the basis of these seemingly extenuating circumstances.

A second reason for concern is that we have ample to excessive productive capacity in most industry lines. As long as that is true, it is more difficult to make a case that capital outlays of business are going to pick up. According to the McGraw-Hill survey in September, on the average industry was running at just over 80% of capacity, substantially below the preferred rate of about 94%, and consequently there is no pressure of production schedules against limited capacity to induce business to expand their facilities. And this raises the question: Until we get operating rates up a little higher, is there going to be any real strengthening in this so-called capital goods sector of economy? But on the other hand, until we get strength in the capital goods sector, is there apt to be any strength in the economy? We get involved here in a vicious circle.

Third, we know that foreign trade developments are apt to have, if anything, a somewhat deflationary effect on business activity here. In the last year, the relationship between our exports and our imports has been peculiarly favorable for us. Our exports have been exceedingly high, and our imports have been relatively low. This is true even though there has been a good deal of discussion about the deficit in our overall balance of payments.

Now, this large net export surplus is exactly what one might have expected. There were temporary factors in here which sustained our exports. In addition Western Europe and Japan were exceedingly prosperous. This tended to create a correspondingly rapid growth in the demand for imports, and this helped our exports. On the other hand in the recession our demand for imports was relatively low. Under the circumstances we got this very wide gap. Now as our domestic situation starts to recover, our imports will tend to rise. Our exports cannot be expected to rise so fast, and they might conceivably deteriorate a bit in the next few months. This is going to have some negative impact on domestic business activity.

IV

Well what facts do we have in hand as we try to look ahead here? We do by now have a great deal of tangible information bearing on where the economic situation is going in the next few months.

The first point to make is that work stoppages in the auto industry for September and October make it very important that we be quite cautious in interpreting recent statistics. The work stoppages in the steel industry in 1959 did cause us to overlook some evidences of basic weaknesses that we dismissed as simply what one would expect when a major industry is down. We want to be careful we do not make the opposite mistake this time.

The second point to make is that Federal Reserve policy remains very conducive to facilitating and expansion in domestic business activities. I need not belabor this here. We know that the reserve position of the banks remains quite favorable. By this time in the preceding recovery of 1958, banks were already in a net borrowed reserve position. There is a great deal of argument about how much difference this easier reserve position will make. It is certainly on the right side.

Third, the tangible evidence that we have available does clearly suggest that we are going to get a slow, but nonetheless discernible rise in capital outlays. The McGraw-Hill Capital Expenditure survey shows 4% increase for 1962. If past experience is any indication, this early figure will be scaled upward as we move through the next year. New orders for durable goods are showing an improvement, and actually the improvement is almost as great as during the corresponding period after the low point of the recession in 1958. Construction contract awards, as you may have seen in the *Wall Street Journal* are continuing to look fairly good. The volume of contract letting has gained throughout the year. To be sure, this has been heavily in the residential construction area, but, in the aggregate, it looks promising. The corporate profit picture also looks relatively a little better than the image of the corporate profit picture, and we have had a fairly significant rise in corporate profits. From the first to the third quarter they increased almost one-fifth.

There should be a further improvement, but we may reach the profits peak rather early again, as we did after the recovery in 1958.

Finally, Federal Expenditures are going to be rising substantially. Whether you put that on the plus or minus side may be a matter of debate. So far as assessing the near-term economic situation is concerned, I think it would have to be put on the plus side. The mid-year Budget Review, shows a rise from $81.5 billion to $89.0 billion for expenditures in the current fiscal year. If we get that kind of rise, outlays will have to be in the range of $91-92 billion by the fourth quarter of the current fiscal year (in terms of an annual rate), and therefore it is difficult to see how expenditures can be held for less than $93 to $94 billion for the next fiscal year (1963).

Predicts Rising Outlook

The information available now warrants these conclusions about business prospects. First of all, clearly, the level of business activity is going to be higher next year than in 1961, and it ought to be rising throughout the year.

Secondly, if consumers let go of their income dollars at more traditional rates, not extravagently but more nearly traditional rates, this together with the large increase in government spending that is certain and more moderate increases in capital outlays and housing that are probable, should push gross national product to a $565-to $570-billion rate by 1962. I think this is within a reasonable expectation. If so, we would have to regard 1962 as giving promise of restoring reasonably full employment.

There are two elements that constitute a potential Achilles heel to this fairly sanguine prognosis. One is the possibility that consumers for some reason continue to have the kind of lack of confidence that will make them slow spenders. This must be watched carefully. Recently good auto sales are at least encouraging on this point. The second one is the very real possibility that we could have some kind of international run on the dollar. I do not regard myself generally as a calamity howler or given to making dramatic statements. I take, however, the gravest view of the continuing gap in our over-all international balance of payments. It seems that, for the last 18 months to two years, it is not an exaggeration to say that the United States has been doing a toe dance on the edge of the cliff on this gold and international financial situation. Here we face an exceedingly difficult problem. If we do not realistically come to grips with it, the results would have grave implications for the health of the economy and for the international financial structure of the free world.

Apart from these two clouds, the domestic economic situation would seem to me to pose a more sanguine prospect than the pessimism in recent months would imply.

*An address by Dr. McCracken before the First National Bank of Chicago Conference of Bank Correspondents, Chicago, Ill., Nov. 28, 1961.

Nat'l Ass'n of Securities Dealers Elects Seven to Bd.

Seven new Governors have been elected to the Board of the National Association of Securities Dealers for three-year terms each. They succeed an equal number who complete their tenure in January. An eighth was elected to fill an unexpired term. The


John W. Dayton, Jr.


J. H. Goddard, Sr.


Robert W. Haack


Gus G. Halliburton


Robert R. Miller


George F. Patten, Jr.


Craig Severance


J. J. Stevenson, Jr.

NASD Board consists of 21 Governors, representing all of the association's 13 districts covering the 50 states. The new members for 1962 to 1965 are:

George F. Patten, Jr., George Patten Investment Co., Portland, Ore., for District No. 1 which includes the States of Alaska, Idaho, Montana, North and South Dakota, Oregon and Washington. He succeeds Samuel S. Whittemore of Pacific Northwest Co., Spokane.

Robert R. Miller, Hornblower & Weeks, Los Angeles, for District No. 2 which includes the States of California, Hawaii and Nevada. He succeeds Robert L. Cody, President, North American Securities Co., San Francisco.

Robert W. Haack, Robert W. Baird & Co., Milwaukee, for District No. 8 consisting of the States of Illinois, Indiana, Iowa, Michigan, Minnesota and Wisconsin. He replaces Andrew M. Baird, Vice-President, A. G. Becker & Co., Chicago.

Justin J. Stevenson, Jr., W. E. Hutton & Co., Cincinnati, for District No. 9 which comprises the States of Ohio and Kentucky. He succeeds Claude F. Turben, President, Merrill, Turben & Co., Cleveland.

Craig Severance, F. Eberstadt & Co., and John W. Dayton, Jr., Clark, Dodge & Co., Incorporated, both of New York, for District No. 12, succeeding Blancke Noyes, Hemphill, Noyes & Co., New York, and Graham Jones, Cooley & Co., Hartford, Conn. The district comprises the States of Connecticut, New York and a part of New Jersey.

James H. Goddard of J. H. Goddard & Co., Boston, for District No. 13 comprising the States of Maine, Massachusetts, New Hampshire, Rhode Island and Vermont. He succeeds as Governor from the district William H. Claflin, III, Tucker, Anthony & R. L. Day, Boston, who also is retiring as Chairman of the NASD Board of Governors.

Gus G. Halliburton, Equitable Securities Corp., Nashville, from District No. 7 to complete the unexpired term of J. Robert Neal, Wyatt, Neal & Waggoner, Atlanta. The district covers the States of Florida, Georgia, South Carolina and Tennessee.

Now With Keon

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Martin S. Phillips and Stanley R. Schill have joined the staff of Keon & Company, Inc., 618 South Spring Street, members of the Pacific Coast Stock Exchange. Both were formerly with Dempsey-Tegeler & Co., Inc.

To Be Henderson, Harrison Company

Effective Jan. 1 the firm name of Henderson Harrison & Struthers, 40 Wall Street, New York City, members of the New York Stock Exchange, will be changed to Henderson, Harrison & Co.

Bache Adds to Staff

(Special to The Financial Chronicle)

CHARLOTTE, N. C.—William W. Swayne Jr. has been added to the staff of Bache & Co., 210 South Tryon Street.

Join Schirmer, Atherton

(Special to The Financial Chronicle)

WORCESTER, Mass. — Howard Lurier and Franklin B. Sher have become associated with Schirmer, Atherton & Co. as co-managers of the newly opened Worcester office at 340 Main Street. Both were with the Worcester office of Hemphill, Noyes & Co.

Dewar, Robertson Co. Opens Dallas Branch

DALLAS, Texas—Dewar, Robertson & Pancoast has opened a branch office in the Praetorian Building under the management of Robert L. B. Dewar.

With Warner, Jennings

(Special to The Financial Chronicle)

BOSTON, Mass. — Raymond W. Morse is now with Warner, Jennings, Mandel & Longstreth, 50 Franklin St. He was formerly with Schirmer, Atherton, & Co.

AS WE SEE IT

Continued from page 1

the so-called backward world and is being constantly fanned brighter and brighter by the Kremlin and its cohorts in the communist lands. They are facts which must be remembered by those who think of ridding the world of poverty and disease by government aid extended to the millions so afflicted. Even if such governments are willing to take the risk of losing all that they pour into these regions, the question will remain as to whether their efforts and their generosity will do what is hoped for.

The situation is, of course, a most serious one, and one which will not yield to any easy solution. Whatever may be the danger of these backward peoples turning to communism, the fact is that they will gain nothing by any such tactic. The communists have no great surplus of wealth to distribute to such destitute elements, and they certainly are not in a position either to furnish the capital needed for the economic relief of these millions, or to provide the technical guidance that is required. Even in their own borders where they are able to rule with an iron hand, no such miracles are being performed—not even in the most "advanced" of them all, the Soviet Union. The usual techniques of the communists—that of making slaves of the rank and file in order to take the lion's share of current production for capital purposes—could not well be applied where there is little or no surplus beyond a bare living for the people and where the hardly more than half civilized rank and file of the peoples simply will not submit to any such treatment.

Depends Upon Themselves

All this is but another way of saying that the economic salvation of the so-called backward peoples of the world depends in the first place — and we had almost said also the last place, too—upon the peoples themselves. It is doubtless true that corrupt and despotic rulers and governments have been able to fasten themselves upon the peoples and suck their very life blood. The notion that the land, and whatever other natural resources exist, should be taken from the hands of these selfish minority elements and distributed among the rank and file has a great appeal, especially to the unthinking throughout almost all the lands of the world. And there is little or no doubt that in a good many places a redistribution of property of one sort or another or in one way or another is in order.

Let no one suppose, however, that a mere redistribution of wealth in these backward countries would prove a solution of the difficulties found there. It would develop in a good many instances that the individuals to whom property is thus given would not know what to do with it and could make no better living, if as good a living, as they had been making working for other owners who do know at least something about the management of the property even if, under the older system, the individual workers are usually imposed upon. The individuals whose welfare is now the self-imposed care of the civilized world simply have to become bigger and better producers or nothing is likely to do very much for them.

A Vital Corollary

A corollary to all such facts as these is self-evident, or ought to be. That is that the accomplishment of any such tasks as are now contemplated by so many with the good of mankind at heart is a matter which will take a long, long time at the very best. We venture to say that few, if any, now living will ever see any really drastic improvement in the lot of many who now are never very far from starvation in India, for example, or see the rank and file of some of the Latin American peoples living in a way comparable to what we see daily in this country. Individuals accustomed to the sort of life being led in these backward countries simply have no idea of what is involved in greatly increased production, and can not be taught it except at the expenditure of much energy and time. Of course, this fact is well enough known to the communists who try constantly to fish in troubled waters and to make the benighted believe that by subscribing to the fallacious dogmas of Karl Marx, the world can be changed overnight into something vastly better, particularly for those who are in need of something better.

It is in some ways a little difficult to understand the driving force of international communism by such countries as Russia. It is not conceivable, or hardly so, that the masters of the Kremlin think that they can procure a better life for those under their care, or furnish anything radically better for the teeming millions, let us say of India. It can hardly be other than the old imperialistic urge and hunger for power which they so loudly condemn. But careful owners of American capital are likely to see things differently.

Glickman With Harry Odzer

Jerome S. Glickman has become associated with Harry Odzer Company, 67 Broad Street, New York City. Mr. Glickman served as a security analyst with Van Strum & Towne and will have the responsibility of managing the research department in his new capacity.

Balanced Securities

ALBANY, N. Y.—Balanced Securities, Inc. is engaging in a securities business from offices at 90 State Street.

With R. W. Pressprich

ALBANY, N. Y.—R. W. Pressprich & Co., members of the New York Stock Exchange, have announced that Richard C. de Graff is now associated with the firm as a registered representative in the Albany, N. Y. office at 75 State Street.

Laird & Co. Adds

Laird & Company, Corporation, members of the New York Stock Exchange, announced that Paul A. Blaney, is now associated with their firm in the Institutional Research Department in the New York office at 61 Broadway.

Burton, Dana to Admit

WASHINGTON, D. C.—Burton, Dana & Co. on Jan. 1 will admit Frederick J. Burrell to Partnership. Mr. Burrell is Manager of the firm's office at 1001 Connecticut Avenue, Northwest.

To Be Butler, Herrick Partner

Butler, Herrick & Marshall, 30 Broad Street, New York City, members of the New York Stock Exchange, on Jan. 1 will admit Charles C. Bunker to Partnership.

With Auchincloss, Parker

PHILADELPHIA, Pa. — Auchincloss, Parker & Redpath, members of the New York Stock Exchange and other principal exchanges, announce that Joseph C. Walters and Leonard Klorfine are now associated with their Philadelphia office, 2 Penn Center Plaza, as registered representatives.

Percy Friedlander to Admit

Harry B. Levine on December 28 acquired a membership in the New York Stock Exchange and became a Partner in the Exchange member firm of Percy Friedlander & Co., 1 Wall Street, New York City.

Joins Livingston, Williams

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, Ohio—Raymond T. McPolin has become affiliated with Livingston, Williams & Co., Inc., Hanna Building. He was formerly with McDonald & Company.

Paul J. Nowland to Admit

WILMINGTON, Del.—Paul J. Nowland & Co., Bank of Delaware Building, members of the New York Stock Exchange, will admit Philip J. Nowland to Partnership in the firm.

Pearsall Co. to Admit

On Dec. 28, Pearsall & Company, 120 Broadway, New York City, members of the New York Stock Exchange, admitted John A. Carr and Albert R. DeSio to Partnership. Mr. DeSio has become a member of the New York Stock Exchange.

PUBLIC UTILITY SECURITIES

BY OWEN ELY

General Telephone & Electronics Corporation

General Telephone & Electronics is the second largest telephone system in the U. S., controlling nearly five million telephones, some 93% of which are dial operated. About one-third of the System telephones are in California and Florida and 10% in Canada. General Telephone also controls a number of manufacturing companies: Sylvania Electric Products, acquired in 1959, with annual sales of over $400 million; Automatic Electric and Leich Electric, large producers of telephone equipment and related products; and Lenkurt, a major producer of microwave and other communications systems and the second largest producer of carrier equipment.

Sylvania is one of the two largest makers of receiving tube and television picture tubes; the largest manufacturer of photoflash bulbs and projection lamps; second largest maker of fluorescent lamps, and third in the production of incandescent lamps; and also the leader in electroluminescent devices for lighting and electronics.

Sylvania also has some important defense contracts and has produced the so-called mobile "Mobidick" computer for the Defense Department; defense work contributes about 30% of recent sales. On an overall basis System revenues and net for the 12 months ended Sept. 30, 1961 were made up approximately as follows:

	Revenues (Mills.)	Percent of Total Rev.	Net Income	Percent of Total
Telephone operations	$509	43	$47	67
Sylvania—Commercial oper.	280	23	7	10
Sylvania—Defense business	126	11		
Other manufacturing companies	279	23	16	23
Total	$1,194	100	$70	100

The proportion of gross carried down to net income was approximately as follows: telephone operations, 9.2%; Sylvania, 1.7%; other manufacturing companies, 5.7%. General Telephone's corporate overhead approximately $1.6 million, leaving a balance for common of $68.5 million or about 97 cents on the 70.5 million average shares outstanding. This compared with $1.07 in the previous 12 months period.

Sylvania's poor recent showing appears due largely to severe price cutting and heavy competition in semi-conductor and other electronics products. Its loss of earning power has been shared by other electronics companies. Thus Texas Instruments in the September quarter earned only 17 cents compared with 91 cents in the same period of 1960; it carried only a little over 1% of sales to net income. Westinghouse Electric had a similar experience, September net being only a little over one-quarter that of the previous year and only a little more than 1% of sales. It seems highly unlikely that these conditions will prevail very long, however. Heavy liquidation of inventories should soon result in a housecleaning, with restoration of better profit margins for the industry in 1962.

Sylvania is carrying on an intensive research program in such fields as high-frequency electronics, physical electronics, solid-state chemistry and physics and metallurgy. The General System as a whole has 26 research and development laboratories employing over 3,600 scientists and engineers.

General Telephone has made important progress recently in simplifying its corporate set-up for the telephone System, which had been very complicated as a result of taking over the Gary System a few years ago. Control of Automatic Electric and Anglo-Canadian Telephone is held through Associated Tel. & Tel., in which a minority interest of about 20% was formerly held by the Saraha Coal Co., of Chicago. Anglo-Canadian in turn holds working control of telephone companies in Canada, the Dominican Republic, and the Philippines. It has taken some years to complete a satisfactory deal to obtain the minority holdings of Associated but recently this was accomplished. It may pave the way for a long-expected recapitalization of Anglo-Canadian, whose capital structure dates from the 1920s.

As indicated in the table below, General Telephone earnings per share increased from 39 cents in 1951 to $1.01 in 1957, or an average annual rate of gain (compounded) of over 8%. Since 1957, however, earnings have averaged a little above the $1 level. Earnings this year may fall a little below $1, but estimates for 1962 are in a range of $1.10 to $1.15.

At the recent price around 27 (range this year 32½-24) General Telephone yields a little under 3% and sells at about 28 times current earnings.

	Revenues (Mill.)	Earnings Per Share*	Price-Earns. Ratio†
1950	$70	$0.39	10
1951	85	0.39	13
1952	102	0.48	10
1953	128	0.59	10
1954	189	0.51	11
1955	210	0.88	13
1956	259	0.97	14
1957	289	1.01	13
1958	895	0.98	18
1959	1,081	1.08	21
1960	1,179	1.01	29

* Adjusted for 3-for-1 split in 1960 and stock dividends of 50% each in 1955 and 1954.

† As shown in Moody's Handbook of Widely Held Common Stocks, page 221.

Price and Supply Trends For Gas, Oil and Coal

Continued from page 3

sult of the decline in the value of the dollar over time; the other is what I term the "resource" component, the reflection of the basic abundance of the material and of the comparative difficulty of making it available. When an economist removes the inflation element from a price, or "deflates" it, he is left with what he terms "real price" or "real cost." For mineral raw materials, this is the equivalent of the "resource" component I have just mentioned.

Observe what this means in terms of the three fundamental elements or factors I distinguished just above. I said that the "resource" component of cost is a reflection of the basic abundance of the material and the difficulty of making it available. This difficulty is the reciprocal, if you will, of technology. Other things being equal, the better the technology, or the higher the level of technological capability, the less difficult it is to make a material available. Government policy, on the other hand, the third of my basic factors, has nothing to do with either basic abundance or the level of technology (except as governmental subsidy of research affects the level of technology, and I must admit that it is becoming increasingly important). By and large, however, government policy is reflected in the inflation component of price rather than in the resource component.

Government Policy Difficult To Predict

There is a further contrast between natural abundance and technology on the one hand and government policy on the other. In considering the future, we can proceed on a fairly sound basis with respect to natural abundance and technology. Although they are not amenable to statistical treatment, one can reach reasonable conclusions as to a quantitative measurement of the natural abundance of the material and the foreseeable future course of technology. One cannot, however, say the same for government policy. Policy decisions are political decisions and, being political decisions, they are not always rational. I do not mean that they are necessarily irrational in the sense that they are devoid of sanity—although I have heard that charge made—rather, proceeding from certain assumptions and applying certain logic, one cannot deduce therefrom conclusions that can be used as projections of government policy.

This leaves me, then, with the matter of natural abundance and technology, and I have a few remarks to make concerning the relation between these two. If there is one thing I do not have to remind chemical engineers, it is the fact that technology is a highly dynamic element in today's economy. The chemical industries are one of the greatest examples of this fact. What is not always appreciated, however, is the further fact that this technological dynamism is pervasive throughout the economy, and is not confined merely to those industries in which its effect has been most spectacular. It is now clear that we are truly in a new era in which research and development is becoming an ever-large portion of economic activity. This is true not only because of the enormous expansion of military-based R & D but also because most industries now accept the fact that R & D is a necessity merely to maintain one's competitive position.

Blind Spot Regarding Technological Factor

The result has been a tremendous acceleration in the general pace of technological progress in considering the future — tomorrow's capabilities will be very different from today's. Curiously, this realization has still not been adequately recognized in the matter of assessing the natural abundance of hydrocarbons—and for that matter, all mineral raw materials. As chemical engineers are probably aware, on the average only one-half of the coal in place is recovered in today's mining, and only one-third of the oil in place is recoverable in the average oil operation. Yet in estimating the total amount of these materials that remain to be produced, the common assumption is that there will be no greater portion of the total quantities in place recovered in the future.

For coal this does not make much difference if one is considering a period, say, twenty to twenty-five years in the future. According to the latest government figures there are some 900 billion tons remaining, even assuming only 50% recovery. Clearly the coal resources of the U. S. are physically adequate for many decades at any conceivable growth in production.

For oil and gas, on the other hand, the significance of whether or not technology is taken into account is very great indeed. The official industry reserve figures are merely a working inventory, equivalent to not only some 12 times the current production level for oil and some 20 times for gas. There have been many estimates made of the quantities remaining to be discovered in the country, but they all suffer from the same shortcoming—failure to make allowance for increased recovery in the future of the total amounts that are discovered in place. One cannot, of course, say what recovery levels will prevail at the end of another decade or so. Therefore, to avoid the wholly arbitrary choice of some intermediate level one must consider the total amount in place in the ground. This is what exists for technology to work on.

Adequacy of Resources and Costs

I call this measure the "resource base," and I have estimated that the resource base of oil in the U. S. is on the order of some 500 billion barrels and that the resource base of gas is at least 1,200 trillion cubic feet. Considering these figures, the oil and gas resources that physically exist are also adequate for at least the next two decades or more when compared with the general range of projected demand levels over that period.

I turn now to costs. Mere existence of adequate resources is, of course, no guarantee whatever that they can be made available at no higher costs or even without steeply rising costs. Here the technological dynamism of which I referred to earlier becomes relevant.

Let us consider coal first. The great bulk of the remaining coal resources is of lower rank, or type. Although there is no inventory of those resources by grade, or quality, it is reasonable to assume that the lower qualities also predominate in the remaining resources. Certainly it is true that, on the whole, the coal that was most easily accessible and easily mined is the coal that has been produced to date. Other things being equal, then, one would expect that over time, the cost of producing the remaining coal would rise. In the minds of some such a rise in the cost of coal is imminent, and is likely in the coming decade.

Sees Coal Costs Possibly Declining — Not Rising

I disagree with this position. The coal industry has long been described as a sick industry. It was technologically backward and was faced with a stagnation in demand, as coal lost important markets to oil and gas. In the postwar period, however, coal has undergone a technological revolution. As a result, the deflated, or constant-dollar price of coal at the mine declined 15% between 1946 and 1960. The most spectacular of the technological innovations in coal mining, the continuous mining machine, is so recent that its full cost benefits are still not fully realized. Given these new circumstances in the industry, there is no reason to expect that the real cost of coal will rise in the coming decades. It may even decline further.

With respect to oil and gas—and this may come as a surprise—I come to a somewhat similar conclusion. Although I would not expect the real cost of these hydrocarbons to decline in the coming decades, I do not expect that it will increase significantly—and by that I mean more than a few per cent. This seemingly flies in the face of the statistical evidence, and yet there are what I consider good reasons for the conclusion I have reached.

Doubts Significant Oil-Gas Rise

We hear much these days of the increased difficulty in finding and producing oil and gas. Greater discovery effort, deeper drilling, the smaller size of the fields found—all are cited as reasons for increasing cost in the oil and gas industry. In addition, there are statistics by the bushel showing the higher cost of deeper drilling and the smaller discovery returns per foot drilled.

Now I do not deny that the discovery and production of oil and gas is requiring increasing effort, nor do I deny that actual dollar costs have increased. But, remember that I am referring to real costs as a reflection of the resource position, so that such things as higher costs of labor and material are in this context irrelevant. They merely represent inflation. As for the statistics on lower drilling return, they contain all sorts of ambiguities and extraneous measures. I do not have the time to go into these things in detail here; as one example I cite the difficulty of determining the separate costs of oil and gas in the many instances where the two hydrocarbons occur together. A combination of the two on a Btu basis is not a satisfactory method of dealing with the problem, since costs are not incurred by finding and producing Btu's, but by finding and producing barrels and cubic feet.

Drilling Costs Have Declined

In any event, there are statistics which give a reasonably satisfactory indication of the finding and producing costs of oil and gas. These are the costs of drilling and equipping wells. Available data show that on a constant-dollar basis, despite the increased difficulty of making oil and gas available, the average costs per foot of drilling have actually declined in the postwar period.

Now, the deeper one goes the higher the cost of the added foot, and deep wells cost more than shallow ones. Nevertheless, the data show that in constant-dollar terms the cost per foot of drilling at great depth—say, at 10,000 feet and below—has actually declined within the last decade. This means that although it may cost more today to drill at 10,000 feet than it does at 5,000 feet, it is not necessarily true that ten years from now it will cost more to drill at 10,000 feet than it does at 5,000 feet at present. The average depth of all wells in the U. S. is increasing at a sufficiently slow rate to allow for considerable offsetting technological progress.

The technological dynamism of the petroleum industry is, of course, well known. I believe that the industry is currently entering a period of such rapid progress that the gains will exceed even those of the past over a given period. Let me cite a few examples.

Technological Dynamism of Oil Industry

On the score of oil recovery dramatic, new techniques are now being introduced. Miscible phase displacement offers a theoretical possibility of 100% recovery of the oil in place. I do not mean to imply that this theoretical level will ever be attained, but initial applications of this technique have attained double the current average yield of one third of the oil in place. Even a 10% increase in average recovery would have significant real cost effects.

Another dramatic new technique which is especially significant for deep wells is that of multiple completions. This involves the tapping of two or more producing zones, or horizons, through a single well. Dual completions are the commonest, but within the past few years there has been a rapid increase in the number of higher order multiple completions. A septuple completion has been made, and the first octuple is planned.

The cost effect of the multiple completion is large. The first sextuple completion cost only one quarter as much as it would have cost to drill six separate wells to tap the six separate pay zones. Since the deeper the well, the more likely it is to find multiple pay zones, this is an important offset to the higher cost of the deeper wells.

In brief, the petroleum industry, through technological progress, has been able to keep pace with the increased difficulty of finding and producing oil and gas. The resource component of oil and gas costs, therefore, has not risen markedly. Since technology feeds itself, technological capabilities may be said to expand at a geometric rate. The pace of improvement in future capabilities, therefore, should be greater than that to date, hence my conclusion that the record to date provides reasonable ground for the expectation that the industry will be equal to the challenge in the future.

Government Uncertainty

So much for resources, technology and costs. There remains government policy and the inflation components of the prices of the hydrocarbon raw materials. Coal having suffered so severely in interfuel competition, the industry has the strongest of motives for maintaining whatever competitive advantage it has wherever it exists. This extends to pressure on the railroads not to increase their freight rates, so that the delivered price of coal will not rise. The coal industry will be aided in this regard by the potential threat of pipeline and conveyor-belt transport, which would surely materialize if the railroads were to attempt to solve their general financial problems at the expense of coal.

However, the price of oil will be, as it currently is, very heavily dependent on government policy. Crude oil prices in the U. S. today are maintained only through quota limitations on imports by the Federal government and prorationing of production by some states. Although the price of oil will be allowed to increase in line with whatever inflation occurs, any tendency for price to go beyond this point will certainly be met by a wider opening of the import valve. There are too many consumers of petroleum products in this country for a politician to allow oil prices to get out of bounds. Moreover, in adopting an import restriction policy, the Office of Civil and Defense Mobilization was assigned the responsibility of keeping an eye on oil prices.

The price of natural gas in interstate commerce is wholly determined by the government, since it is under direct government regulation. The philosophy and action of the Federal Power Commission will thus be dominant. The increase in gas prices under FPC regulation to date has exceeded the pace of inflation, but recently there have emerged the signs of a policy abating this increase, perhaps by tying the price of natural gas more closely to industry-wide, area-wide, or company-

NSTA NOTES

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association will hold its 27th annual Mid-Winter Dinner at the Southern Hotel, Jan. 19, at 7:30 p.m. David L. Pindell, Lockwood, Peck & Co. is Chairman of the Entertainment Committee. John J. Wallace, Baker, Watts & Co., is in charge of Room Reservations. Dinner tickets may be obtained from Henry J. Krug, Robert Garrett & Sons—Tariff $15.

Gilbert A. Lewis

David L. Pindell

The Baltimore Traders have recently elected the following new officers for 1962:

President—Gilbert A. Lewis, George G. Shriver & Co., Inc.
Vice-President—David L. Pindell, Lockwood, Peck & Co.
Secretary—Donald L. Thompson, Alex. Brown & Sons.
Treasurer—William G. Dengler, Baumgartner, Downing & Co.

wide costs. If cost is not going to rise faster than inflation, then neither will price under this policy.

There are, in addition, further constraints on the possible upward course of natural gas prices. It is hard to see how the future growth in demand for gas can be anything but less than the pace of that growth in the past. The past growth reflected the expansion of gas into wholly new regional markets and, nationally, into uses that had previously been the province of oil or coal. This expansion, both geographically and competitively, is now virtually complete, and future growth should reflect only the growth of the economy. (This is like the child's song about the train going up the mountain, "The upper it went, the downer it slowed.")

In addition, the rise in gas price to date has brought gas close to the competitive margin with the other fuels in many parts of the U. S. Although householders are probably willing to pay a considerable premium for the convenience of gas, industry counts the cents per Btu.

For both gas and oil there is, in any event, the ceiling afforded by synthetic liquid fuels and gas from oil shale and coal. Gasoline from shale oil is claimed to be already competitive, on the basis of pilot-plant tests, with locally produced gasoline on the West Coast. There still exists a considerable gap between the price of natural gas and the estimated price of synthetic gas. It is generally agreed that eventually synthetic gas will replace natural gas, but as I see it, that time is so far in the future that nothing can yet be said as to the price at which this will occur.

As can be seen, I'm an optimist. I have attempted to show that this optimism is not, however, unfounded. Some of my conclusions are directly contrary to the indications of current trends, and even contrary to majority opinion. I repeat my belief that, in a sense, all bets are off concerning the predictability of the future on the basis of current trends, at least with respect to hydrocarbon raw materials chemical engineers should know. In their own field a decent trend scarcely has a chance to develop before you're off on a new one.

*An address by Dr. Netschert before the annual meeting of the American Institute of Chemical Engineers, Lake Placid, N. Y.

Bernstein to Admit

PITTSBURGH, Pa.—On Jan. 1 Sidney M. Feldman will become a limited partner in Bernstein & Co., Frick Building, members of the New York and Pittsburgh Stock Exchanges.

To Be Kay, Richards Partner

UNIONTOWN, Pa.—On Jan. 1, William I. Bush will be admitted to Partnership in Kay, Richards & Co. Mr. Bush is Manager of the firm's Uniontown office in the Gallatin National Bank Building.

To Be Stern & Kennedy Partner

Stern & Kennedy, 29 Broadway, New York City, members of the New York Stock Exchange on Jan. 1 will admit Thomas D. O'Brian, member of the Exchange, to Partnership.

Form Nat'l Retirement

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — National Retirement Investment Company has been formed with offices at 111 Sutter Street, to engage in a securities business. Officers are Thomas W. Cordry, Jr., President; Frederick R. Duda and Bessie R. Star, Vice-Presidents; and Helen H. Cordry, Secretary and Treasurer.

Money Alone Cannot Assure A Nation's Economic Growth

Continued from page 13

Bretton Woods along with the Bank—has gained recognition as a most useful instrument for financial order and stability. I am sure that the discussions at this meeting will indicate widespread interest in giving the Fund even greater resources and responsibilities.

Case for Private Enterprise

What about finance for private business in the developing areas? What is being done; what should be?

Here again I have some positive convictions.

The first is that private business and private capital are natural twins. The great developments of private enterprise have been nurtured on private, not public funds. In the long run business will not continue to be private if it depends unduly upon public credit. Furthermore, appropriations of public money are limited, and may well at any time be cut off, whereas private capital is an ever growing stream. Private capital is constantly refreshed by that generated within business and by the savings of the people.

In the developed countries this flows constantly into use, into mortgages through savings institutions and insurance companies; into bonds of utilities and industries; and more and more into the shares of these enterprises.

The ownership of business has attained fantastic proportions in the United States. Most of our large corporations have many more shareholders than employees. Mutual and pension funds and other collective investment institutions represent the savings of tens of millions of Americans. Similar expansion of ownership is growing, not only in Europe, but in Latin America and some countries of Asia.

I therefore maintain that an immense reservoir of private capital exists throughout the world which can be tapped for expanding production in the less developed areas.

But this capital must be enticed. It appraises the uncertainties and risks and expects ample potential rewards to balance these risks.

However, there are several forces which are damming this potential flow.

There is the threat of confiscation of property and rights. It is probably a conservative estimate that at least $500 million of private capital have been held back from investment in Latin America because of events in Cuba.

There is the nationalism which in varying degree obstructs the import of foreign capital.

There is the jealousy of local businessmen who prefer their monopolies, and resent the appearance of foreigners who may supply the country with better products at lower prices.

Subsidized Loans

And finally, there are the low subsidized rates at which funds of both national and international institutions are loaned to some private business.

A case can be made that in the general interest there is justification for transferring resources of the richer countries to those less fortunate for public purposes without too much regard to the cost of the money. It is more difficult to justify such public funds being made available to private business, at rates far below those prevailing within these countries, thus giving selected businessmen an extra profit.

Soundly operated business in these areas can be highly profitable. It is nonsense to claim that good business cannot start and prosper without cheap foreign credits.

Despite the usual provisions in the laws and regulations of public institutions, that in financing purely private enterprises (without government guarantee) they are not to compete with private investment capital, the fact is that they do. By giving low cost credits to one business firm they deter other borrowers from seeking funds in the private capital markets.

IFC is the only public institution, either national or international, which actually sets terms which are in line with those of private investment capital. Such terms are attracting private capital to join with us or to buy us out when the project has matured. Now that the amendment of our Charter permits investment in equity shares, we can be more effective both in supplying the most needed types of capital to new and expanding business to meet their legitimate needs, and at the same time providing the type of investment which is attractive to local and foreign investors.

I recognize the great economic strides which have taken place in so much of the developing world. At any earlier time this growth would have been accepted as phenomenal. But this is a restless, impatient age, and awakening people are demanding immediate gratification of their desires.

I am fully aware of the immense problems faced by you and the other leaders of the countries, many of them just now attaining responsible statehood, which are moving through the no-man's land between the past and the future. No one can expect perfection in this difficult task. But the stakes are so high you cannot afford basic errors. Your countries do not have a surplus out of which to pay for major mistakes.

I admit to being critical of much which I observe, of desiring improvement. But I believe that the problems can be solved if only people have the wish and the will.

*An address by Mr. Garner before the 1961 meeting of the Board of Governors of the IFC, Vienna, Austria, Sept. 21, 1961.

Devon Plans Names Officials

BOSTON, Mass. — James R. Lewis, President of Devon Plans Corp., announces appointment of James B. Flynn and Mark T. Lerche as Regional Vice-Presidents. Prior to joining Devon Plans in July, Mr. Flynn had been associated in executive capacities with other leading fund distributors. Mr. Lerche, who joined Devon in March, had been previously affiliated with The Crosby Corp. as a wholesaler.

Named Directors

Arthur L. Carter and Sanford I. Weill, general partners in Carter, Berlind, Potoma & Weill, members of the New York Stock Exchange, have been elected to the board of directors of Arista Truck Renting Corp., it is announced.

Form Bedford Capital

BROOKLYN, N.Y.—Bedford Capital Corporation has been formed with offices at 761 Park Place, to engage in a securities business.

Form Broad Street Assoc.

Broad Street Associates, Inc., is conducting a securities business from offices at 20 Broad Street, New York City.

Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

The Government market is closing out the year with yields at the highest levels for 1961. And according to predictions, there will be a further hardening of interest rates in the coming year. This will mean that prices of Treasury obligations will move to lower areas than those currently prevailing. In addition, there appears to be practically no disagreement among money market specialists that this cost of obtaining the needed funds will move up to higher levels.

It is the opinion of those who make up the money market group that the upward movement in interest rates will be paced by short-term Government issues with a 3% Treasury bill not to be too unexpected in the foreseeable future. Such a yield for the most liquid Government obligation would most likely trigger an increase in the discount rate which in turn, would set in motion an increase in the prime bank rate and all other loaning rates.

Higher Discount Rate Awaited

It is very evident that the financial district as a whole seems to be pretty much reconciled to the upward trend of interest rates and is now talking about the time when the discount rate and the prime bank rate will be increased. The higher rates which the commercial banks can pay on saving and time deposits at the beginning of the year has been responsible in no small measure for the belief that the whole structure of interest rates will move up in time. There is no doubt but what the competition for saving and time deposits is having an effect on the investment policies of the commercial banks, since it is evident that these institutions are now very much interested in putting their funds to work, in so far as it is prudent and advisable to do so, in loans and investments which will yield them a higher rate of return than they have been getting. This is the way in which the cost of the higher rates for savings and time deposits will be met.

Already there is evidence that in this search for more income the commercial banks have stepped up and moved out in their purchases of tax-exempt bonds. In other words, in order to get more income on their tax-exempt obligations the deposit banks are now larger buyers of the tax sheltered issues and at the same time the maturity date of those obligations which they are buying has been moved ahead in some cases from 10 years to as much as 20 or 25 years. This is one of the methods by which the commercial banks are now meeting the higher costs of the larger payment which will be on savings and time deposits.

Greater Loan Demand to Prevail

As far as loans are concerned, there has not yet been any appreciable change in the volume even though there are expectations that the demand for loanable funds will be increased as the improving business pattern unfolds. In addition to the regular needs of business for more money to carry on its operations because of the betterment in economic conditions, it is strongly indicated that consumer loans will also go ahead at a fair pace. Therefore, it would be very beneficial to the commercial banks if the discount rate and then the prime rate were to be increased. The upping of the Central Bank's rate, along with the rate which the deposit banks charge their larger and best customers, would bring the whole structure of loaning rates upward. This would be a very important way in which these institutions would be offsetting the increase which would have been made in time and savings deposits rates.

Loans are much more important to the commercial banks than are investments from an earnings angle and an increase in most loaning rates, even without the volume moving up, would have a very favorable influence on the revenues of the commercial banks. This might even bring about another change in the investment policies of these institutions.

Higher Interest Rates Inevitable

Even though there is practically no disagreement about higher interest rates among money market specialists, it is believed in most quarters that the rise which is expected will be slow and gradual. In addition, it seems as though the opinions around now are that the Federal Reserve Board will not be inclined to do too much about changing existing conditions at an early date, unless there are unforeseen developments.

Nonetheless, it appears to be very evident that there are no supporters around in the money and capital markets of the opinion that money rates will not go up in 1962. As a result the financial district seems to be just watching and waiting to see how high rates will eventually go in the money and capital markets.

Lazard Fund Names Temple

Alan H. Temple

Alan H. Temple, former Vice-Chairman of the First National City Bank of New York, has been elected a director of The Lazard Fund, Inc., it was announced by Albert J. Hettinger, Jr., Chairman, and Richard H. Mansfield, President of the Fund. Mr. Temple retired from the bank last September, after thirty years of service.

Now Herman Diamond Bassock Arnold & Easton

The firm name of Herman & Diamond, 26 Broadway, New York City, has been changed to Herman Diamond Bassock Arnold & Easton.

Now B. J. Leonard Co.

COLORADO SPRINGS, Colo.—B. J. Leonard and Company, Inc., 415 North Tejon Street is continuing the investment business of J. R. Holt and Company. Leonard Bestgen is a Principal.

Two With Hayden, Stone

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Henry A. Boulanger, Jr. and Vartan A. Tombazian are now with Hayden, Stone & Co., 611 Wilshire Blvd. Mr. Boulanger was formerly with Hemphill, Noyes & Co.; Mr. Tombazian was with Binder & Co.

Long-Term Projections—Problems, Methods, Results

Continued from page 15

GNP. But the offset is not perfect. **The projection of government product was predicated on the assumption that no productivity improvement could be assumed for public employees in the decade ahead—that is, that real per capita wages of government employees would, on the average, remain unchanged. The underestimate of the gross private product was therefore not offset by an equal overestimate of the gross public product, giving the aggregate projection a downward bias. In view of the difficulty of projecting the size of our armed forces, it seems to me little is gained by projecting separately the gross private and the gross public product (unless this breakdown is needed for other reasons), and that estimates of GNP based upon aggregate public and private employment are sufficient.**

So far as private productivity is concerned, the NPA hit it right on the nose. It assumed that productivity, as measured by private product per manhour, would increase at 2.5% per year in the decade of the 1950's. It arrived at this assumption of 2½% by noting that the average productivity gain since 1929 had been somewhat in excess of 2% and that during the decade 1940 to 1950, the gain had been 2.7%. It seemed reasonable therefore to postulate 2.5% for the future. During the past ten years, private productivity has in fact increased at an uneven but average rate of 2.5% per year.

In projecting average weekly hours of work the NPA was also successful. The decline in the workweek has been on the order of ½ of 1% per year compared with an assumed rate of 0.4%.

The judgment on the NPA's 1960 aggregate GNP projection would, I think, have to be favorable. They missed most in estimating the size of the civilian labor force and this not because of any error in their demographic projections but because they misjudged the reduction in the size of our armed forces. Taking into account the "caveats" usually included in economic projections, the NPA can claim even greater success. It cautioned the reader that full employment projections for 1960 conceivably may lie within the range of $400 billion to $450 billion measured in 1951 prices. The higher figure works out to a 1960 GNP of $535 billion, which is within the range of my full employment estimate.

TABLE I

Retrospective Estimate of Full Employment GNP—1960

Full Employment G.N.P.=Full Employment Work Force x Annual Output Per Worker at Full Employment.

I Full Employment Work Force, 1960	million
Civilian Labor Force	70.6
Frictional Unemployment (4%)	2.8
Civilian Employment	67.8
Armed Forces	2.5
Full Employment Work Force (Including Armed Forces)	70.3
II Full Employment Annual Output Per Worker*	$7,540
	billion
III Full Employment G.N.P., 1970= (70.3 million x $7,540)	$530

* Estimated on basis of trend value of output per man hour. Since it is not possible to be very precise in this estimate, full employment G.N.P. probably lies within a range of $525-$535 billion.

TABLE II

Civilian Employment—1960

Full Employment Estimate Compared with N.P.A and Weinberg's Projection.

(millions of persons)

	Full Employment Est.	N.P.A.*	Weinberg*
Total Labor Force	73.1	72.7	73.7
Armed Forces	2.5	3.5	1.7
Civilian Lab. Force	70.6	69.2	72.0
Unemployment	2.8	2.8	1.8
	(4%)	(4%)	(2.5%)
Civilian Employm't	67.8	66.4	70.2

*Adjusted to reflect recent revision in labor force definition.

Dr. R. S. Weinberg's Projection

The second projection I would like to review was also constructed in terms of 1951 dollars. This projection, by Dr. Robert S. Weinberg, appeared in the December, 1953 issue of the *American Economic Review*.

Dr. Weinberg came up with a full employment estimate of **$443.4 billion in 1951 prices, or $527.6 billion in 1960 dollars.** This figure is almost identical with my retrospective estimate of a full employment GNP.

Again, Dr. Weinberg's estimate of the total labor force (see Table II) came close to the actual.

Dr. Weinberg assumed that the armed forces would be sharply reduced, reaching only 1.7 million by 1960. Thus, he obtained a civilian labor force estimate 1.4 million persons too high. This overestimate grew even larger when brought down to civilian employment since Dr. Weinberg assumed that frictional unemployment would average no higher than 2½%. Thus, his civilian employment figure turned out to be 2½ million too high, resulting in an overestimate of GNP.

Fortunately, built into Dr. Weinberg's model, were several compensating errors. The **drop** in the average length of the work week was overestimated by nearly one-half hour. Furthermore, much as the NPA had done, Dr. Weinberg failed to forecast any gain in real wages for employees in the public sector, thereby understating the rise in the gross government product. Most important by assuming a drop in our armed forces to only 1.7 million. Dr. Weinberg foresaw a sharply declining contribution to total output by our military. Thus his overestimate of the gross private product was to some extent offset by the underestimate of the gross public product. (This is of course the exact reverse of the NPA projection where, as I have said, gross private product was understated as the result of an overestimate of the armed forces). Once again, the refinement of aggregate GNP into the public and private sector did not pay off.

Dr. Weinberg's productivity assumption of 2½% was the same as the NPA's and came remarkably close to the actual rise during the Fifties.

TABLE III

GNP Projection to 1970 by NICB AND NPA

Employment—	N.I.C.B.	N.P.A.*
Total Labor Force	87.3	86.0
Armed Forces	2.5	2.4
Civilian Labor Force	84.8	83.6
Unemployment	3.4	2.9
	(4%)	(3.5%)
Civilian Employment	81.4	80.7
Total Employment (Incl. Armed Forces)	83.9	83.1
Productivity Rise per Annum (percent)	3.2	3.4
Workweek (aver. annual rate of decline) (percent)	0.6	0.6
G.N.P., 1970 (converted to 1960 dollars, billions)	810	817

*Judgment model.

TABLE IV

Measures of Productivity Improvement

(All G.N.P. figures in constant dollars)

	Average Annual Increase*
1947 - 1960—	
G.N.P. ÷ Total Manhours†	2.8%
G.N.P. ÷ Civilian Manhours	2.9
Gross Private Product ÷ Private Manhours	3.2
1950 - 1960—	
G.N.P. ÷ Total Manhours†	2.4%
G.N.P. ÷ Civilian Manhours	2.3
Gross Private Product ÷ Private Manhours	2.6

* Computed as the slope of a semi-log trend line.
† Civilian employment plus armed forces.

One interesting device employed by Dr. Weinberg was a chart showing the demand deficits implicit in selected unemployment rates, or the reduction in GNP we might expect as the result of a given percentage rise in the unemployment rate. In terms of 1960 dollars, Dr. Weinberg projected that a 5.5% rate of unemployment would create a deficiency in demand, or a reduction from the full employment level of GNP, of $17 billion. Thus, his **cyclical** estimate of 1960 GNP, allowing for a 5.5% rate of unemployment, was $509 billion, compared with an actual of $503.2 billion. If made one year in advance, such a forecast would be considered tolerably good. Made ten years in advance, it is striking.

Joint Economic Committee's Projection

I come now to the final post mortem — the widely used Joint Economic Committee print "Potential Economic Growth of the U. S. During the Next Decade," prepared on the basis of 1953 data.

In this instance, the projection ran to 1965, but we can nevertheless interpolate and review the accuracy of the key variables—labor force, productivity, and hours.

The GNP estimate, interpolated for 1960, comes to $510 billion, a figure which is again rather close to my retrospective full employment estimate of $530 billion. The labor force was expected to reach 79 million by 1965, which today appears a somewhat conservative assumption. The armed forces were projected at 3 million, which exceeds the present size by one-half million. Frictional unemployment was assumed at 4%.

The decline in the average workweek was projected at 0.8% per year which exceeds somewhat our recent experience.

A comparison of all three projections with the actual GNP for 1960 and the imputed full employment level shows none of the projections are really wide of the mark. This should at least dispel any popular notion that economists never agree. This time they agreed on the results and they were substantially right.

If I had to select the major reason for the success of these projections, I would point without hesitation to the accuracy of the productivity assumption. Undoubtedly this assumption is the most critical of all the ingredients in an economic projection, since relatively small percentage differences in productivity easily become multiplied into tens of billions of GNP dollars. Changing the hours worked by 1% produces less than a $10 billion change in GNP ten years hence. Changing the size of the work force 1% also affects GNP by less than $10 million. But changing the assumption of productivity growth by only ½ of 1% results in changing GNP by $50 billion. Thus the accuracy of any ten year projection hinges to a large extent on the validity of the productivity assumption, and on this score, the three projections were outstanding.

TABLE V

Measures of Productivity Change, 1947-1960

Year	Gross Nat. Prod.* ÷ Tot. Manh'rs Work. $	Annual % Change	Gross Priv. Prod.* ÷ Priv. Man'hrs Work. $	Annual % Change
1947	2.39		2.41	
1948	2.47	3.3	2.49	3.3
1949	2.54	2.8	2.57	3.2
1950	2.72	7.1	2.77	7.8
1951	2.80	2.9	2.88	4.0
1952	2.86	2.1	2.96	2.8
1953	2.98	4.2	3.10	4.7
1954	3.05	2.3	3.18	2.6
1955	3.15	3.3	3.29	3.5
1956	3.15	0.0	3.28	—0.3
1957	3.24	2.9	3.38	3.0
1958	3.27	0.9	3.41	0.9
1959	3 42	4.6	3.58	5.0
1960	3.45	0.9	3.62	1.1

* Measured in 1960 dollars.

Questions Current Productivity Assumptions

Reassured by the success of the earlier projections, more confident of their methods than ever, economists have again reached substantial agreement on the outlook for GNP by 1970. This time, however, I have strong doubts about the validity of the productivity assumptions.

Let me cite briefly two economic projections for 1970 which I have again selected as representative of current projections. Both were published last year.

One is by the National Planning Association, "Long Range Projections for Economic Growth: the American Economy in 1970;" the other by the National Industrial Conference Board, "Economic Growth in the 1960's, Prerequisites, Potentials, Problems." The similarity of their assumptions and conclusions emerges from the following table:

TABLE III

The NICB assumes that

(1) the total labor force will reach the higher of the Census projections for 1970;

(2) unemployment will amount to 4% of the civilian labor force;

(3) average weekly hours will continue to decline at the postwar rate;

(4) output per manhour will rise by 3.2% per year.

Result: GNP in 1970 will reach a total of $810 billion measured in 1960 purchasing power.

The NPA assumptions and conclusions are virtually identical. Although the labor force is expected to rise to only 86 million compared to 87.3 million in the NICB projection, the estimates of total employment differ by only 700,000. The reason for this smaller difference in the employment estimate than in the labor force estimate lies in the fact that the NPA assumes frictional unemployment of only 3.5% compared with 4% for the NICB.

So far as the important variable of productivity is concerned, the NPA is even more optimistic than the NICB, projecting it at a rate of 3.4%. This compares with a 2½% assumption in their projection a decade ago.

The GNP estimate derived from these assumptions is $817 billion, or just $7 billion higher than the model constructed by the Conference Board.

Will these projections turn out to have been as accurate when we come to reflect on them ten years hence as those prepared a decade ago?

It seems questionable to me whether the assumption of a 3.2 or 3.4% rate of productivity improvement will be realized. Both the NPA and the NICB base their assumption on the experience of the entire postwar years. It is true that productivity showed a gain of roughly 3% between 1947 and 1960 and slightly higher between 1947 and 1959, the latest year available to the NPA.

TABLE IV

But a closer examination of the figures reveals that the average for the entire postwar period is misleading. During the past ten years, the average rise of productivity was only on the order of 2.5%. This is of course the reason why the projections made in 1951, which were, after all, based on a 2.5% productivity assumption, turned out to be so accurate. The difference between the 3.2% rate of growth in private productivity between 1947 and 1960 and the 2.6% growth between 1950 and 1960 is largely due to the very steep gain in productivity between 1949 and 1950. In 1950, private productivity rose by almost 8%. Thus, by measuring from 1947, we start from a very low base and permit the high rate of productivity gain in 1950 and to a lesser extent in 1951 to significantly affect the average. (See Table V). If we begin to measure productivity in 1950, however, we start at a higher level, thereby reducing the slope of the semi-log trend.

In our projections for 1970, I do not believe we should rely so heavily on the experience of the early 50's when, we would all admit, basic economic conditions were substantially different from those which will confront us in the decade ahead. Had the NPA and NICB again assumed a 2.5% rate of productivity gain, their GNP estimate would have been almost $100 billion lower.

Reasons for Disagreement

Thus, my first conclusion is that the near 3½% productivity assumption is unrealistic in the light of historical precedent and is unlikely to be achieved.

A second factor likely to produce a rate of GNP growth below the projected level is the growth of our labor force which promises to be very rapid indeed. It may seem odd to postulate that a rapid growth in our work force will moderate economic growth. On the one hand, of course, the growth in employment enlarges potential output **but this factor has already been built into the projection models.** On the other hand, a rapid growth in our labor supply may discourage capital investment and final demand.

During the 1960's, we will see an unprecedented expansion in our population aged 20-24, reflecting the bulge of birth rates during the early postwar years. Our total labor force will grow by nearly 20%.

During the 1950's, our labor force grew by less than 13% with the age groups 20-34 actually declining in number. Labor was one of our scarce resources. At the same time that employers were hard pressed to fill job vacancies, the demand for final products was unusually insistent. Automobiles, appliances, housing, steel, and capital goods were in heavy demand. This heavy demand resulted not only from prosperity levels of income but also from a pent-up demand which had its roots first in the years of depression and then in the war years of rationing and the postwar years of shortages. The concurrence of strong consumer demand and a short labor supply induced a great deal of capital investment, especially of the labor-saving type.

This constellation of circumstances favorable to economic growth will not prevail in the decade of the 60's. No longer can we count on the stimulation of a backlog of demand to spur capital investment. No longer can we count on a shortage of labor to elicit labor saving equipment on the same scale as in the past. Instead, we must consider the possibility of a slowing in the rate of productivity improvement as (1) the demand for consumer goods loses the support of accumulated backlogs, and (2) the rapid growth of the labor force exerts less upward pressure on wages and thereby calls forth less of the labor economizing types of investment. Even with tax incentives to induce employers to expand their capital plant and to economize on the use of labor, I am skeptical of the assumption that productivity in the coming decade will reach an average level unattained during the decade past. The factors of consumer demand and labor supply appear to me just too fundamental to be ignored.

What I am saying is not intended to indicate pessimism about our future and I certainly do not subscribe to any notion of secular stagnation. I believe, however, that current projections of a **GNP growth** of 4.3% from the 1960 full employment level are

overly optimistic and that a real growth of GNP more in line with the 3% experienced in the 1950's is probable.

Definition of Full Employment

Finally, I would like to add a few words about the definition of full employment or frictional unemployment. The NPA assumes unemployment no greater than 3.5%, the NICB, 4%.

Unemployment has not averaged 4% of the civilian labor force since April, 1957. Perhaps the recent high rates of unemployment can be ascribed solely to cyclical forces but there is also the possibility that we have accepted too low an unemployment rate in our definition of frictional joblessness. Much concern is being expressed in official Washington about the increase in "hard core" or structural unemployment, about the plight of persons chronically without jobs who cannot hope for better things even with economic recovery, about the heavy concentration of unemployment, especially among the unskilled and semi-skilled, the young and inexperienced, the underprivileged and minority groups of the country. This is what Professor Clarence Long last year called the problem of rising "prosperity unemployment." Perhaps the projectors of GNP should henceforth make allowance not only for frictional unemployment, which is usually of short duration, but for the kind of long-run unemployment which results from the complete automation of assembly lines, the computerization of clerical work, and the mechanization of farms.

I recognize of course that structural unemployment, though it often seems chronic, is not inevitable. If the displaced steel worker and the unemployed coal miner could be retrained and relocated, if our work force could somehow be made more responsive to the changing needs of employers, structural unemployment would be reduced. But in preparing our GNP projections we ought not simply to ignore the possibility that unemployment will range higher than the 3½% - 4% assumed by the NPA-NICB, and that GNP will be correspondingly less.

My warning therefore is to guard against overly mechanical extrapolations of the three fundamental factors of economic growth — productivity, employment and hours. We have already closed the chapter on the postwar years of pent up demands and labor shortages. Productivity is unlikely to exceed the 2½% of the past 10 years and unemployment may well average higher than the widely assumed frictional level of 4%.

The optimistic projections to 1970 serve, however, one very useful purpose. They define the kind of economic growth we **could** achieve if we deliberately and consciously shaped our national policies to that end. For it is only by boosting productivity substantially above levels we have been able to sustain for protracted periods in the past that the optimistic prognostications stand a chance of faring better than Mr. Boyd's a hundred years ago.

At the present time, assuming no intensification of the cold war and a much larger defense effort than is now planned, nor the inauguration of major new national policies to stimulate productivity, I would cast my ballot for a GNP of $700 billion 10 years hence, expressed in 1960 dollars, based on a 2½% rate of productivity and a 5% rate of unemployment.

*An address by Dr. Freund before the Annual Forecasting Conference of the American Statistical Association, New York City, held last Spring, New York City. A recapitulation of these points appeared in the October issue of *Challenge — The Magazine of Economic Affairs*, a publication of New York University.

Mortgage Market Financing And Real Estate Trends

Continued from page 5

need to emphasize this orientation to a greater extent and consider its implications.

The report of the Savings and Loan League's Committee on Trends and Economic Policies includes several significant observations relative to market changes. First, the total volume of market activity of all kinds is as great as was anticipated by many of the optimistic forecasts that were made in 1959 and 1960 and that often were presented under some such title as "The Soaring Sixties."

Within the total volume of market activity, however, significant changes have occurred which contrast with previous expectations. For example, estimates of expenditures for consumer durables, particularly automobiles and houses, have proved to be too high while estimates for expenditures of services have proved to be too low. Basic shifts in consumer attitudes may be taking place. They may be influenced by changes in the age distribution of the population, lower rates of household formation, the high level of home ownership that has been achieved, automation and its varying impacts on employment, the persistence of a large unemployment problem, the difficulties of distressed areas, and the tensions and uncertainties arising out of the international situation. We need to study these changes and their implications for the future.

Special Problems

Second, with reference to the housing and home financing markets, we appear to be involved in some significant changes. We have not as yet analyzed as carefully as we should the rapid rise in the construction of multi-family housing. Special purpose housing, such as housing for the aged, is presenting new market dimensions. Recent stability of construction costs may be having significant phychological impacts on present and potential home buyers. Many present homeowners find themselves "locked in" with respect to their investment. It is difficult for them to trade out their properties for other accommodations. While progress in the solution of the problem of trading equities has been made, this is an area worthy of special attention.

Third, certain basic shifts may be occurring in the savings field. We have gone through a period of rising interest rates. There are uncertainties as to the trend of interest rates over the next three to five years. They may tend to stabilize, for example, as some students of the subject are now suggesting. Our capacity for saving may not be great enough to make available more than required funds for economic growth and expansion.

In short, the markets of the middle 1960s, may be taking on "a new look." The time to study these markets and their potential implications is here. The gearing of management plans and programs to potential market changes has already been practiced by a number of savings and loan executives. A good example is presented in A. D. Theobold's recent article in **Savings and Loan News.**

The work of the U. S. Savings and Loan League under the able direction of Norman Strunk has made significant strides along these lines. The League is serving this business in much the same way that central management planning departments and committees are now serving many of our large corporations. While we tend to emphasize the League's contribution to the business in terms of its legislative programs, its major contributions in the years ahead may come in the fields of management and in management education.

Highly Knowledgeable Management

The demands of the years ahead will call for a highly sophisticated management—not sophisticated in the sense of the typical college sophomore, but in the sense of the more complex missiles that we are now using for space exploration. The League is making available economic consultants, accounting advice, legal counsel, advertising and public relations services, special assistance in such fields as urban renewal, labor law and taxation. These and other services are pointing the way toward a more sophisticated management.

In order to cope with the problems of 1962 and the following years, many of our management "rules of thumb" need to be put to the test of objective analysis. We need to be alert to new business opportunities. For example, we cannot afford to wait until the single family housing field expands again in the later 1960s before trying to expand our own business volume. If we do, we run the same danger that the automobile industry ran in ignoring the small car market for as long as it did.

Our estimates suggest that 1962 should be a favorable and an interesting year full of the types of problems that will provide both challenging and rewarding work. I know that these problems, will be met with vigor and enthusiasm. I hope you will also begin to meet them as more highly sophisticated managers in a period that is characterized by more highly sophisticated consumers, government programs and missiles.

*An address by Dean Weimer at the annual U. S. Savings and Loan League Convention, Chicago, Ill.

With Peters, Writer Firm

(Special to The Financial Chronicle)

DENVER, Colo. — Bernard L. Woody has become affiliated with Peters, Writer & Christensen, Inc., 724 Seventeenth Street. He was formerly with Currier & Carlsen, Inc. and Lowell, Murphy & Co., Inc.

Form Income Development

Income Development Corporation of America has been formed with offices at 60 East 42nd Street, New York City, to engage in a securities business. Harry N. Wessel, Jr. is a Principal of the firm.

Grant, Jones Branch

MONTGOMERY, Ala. — Grant, Jones & Company, Inc. has opened a branch office at 708 Wesley Drive under the management of Frank R. Sutcliffe.

Electronic Inv. Secs.

FORT LEE, N. J. — Electronic Investment Securities has been formed with offices at 2339 Route 4, to engage in a securities business. Partners are William J. Mitchell and E. L. Mitchell.

Form Ednor Investing

WANTAGH, N. Y.—Ednor Investing Corp. has been formed with offices at 2079 Wantagh Avenue, to engage in a securities business.

Officers are Edwin Shafier, President and Treasurer, and Norman J. Rosenthal, Vice-President and Secretary.

SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

Your Time Means $ to You!

The most valuable asset any salesman has is his time. Figure it out for yourself and you will find that you normally only have the hours between 9 a.m. and noon, and from 1 to 5 o'clock in the afternoon, when you can call to see people. This gives you about seven daylight hours each day for the actual solicitation of business. If you work five full days a week, you then have only 35 hours to contact and work with clients. However, if you will add two luncheon dates a week, and you spend four more hours on evening interviews, you will still have only 41 hours a week which can be used for consultation with clients and sales work. Even if you add four hours on Saturday, this brings the total time to 45 hours a week that a salesman can use for contacting customers.

But as you well know, these 45 hours are not all free time that can be devoted to the production of business. There is time which must be spent in traveling. If you are a mutual fund salesman, or selling unlisted and investment type securities in a rural area, the travel time might add up to at least two hours or more of your day. In the city, if you are a salesman who does not sit in his office and service clients over the telephone, the travel time may also require from one to two hours a day, or more. Even if you are a registered representative in a busy stock exchange office, much of your time must be devoted to keeping abreast of the news, watching the market, reading the latest advices from your wire system, and servicing customers apart from their regular buying and selling activities.

On an average, it would be a fair estimate, I believe, to allocate about 10 hours a week to time that is not used for consultation and sales procedure; regardless of how and where a security salesman conducts his activities. Deduct these 10 hours and all that is left, even if a security salesman works on Saturday seeing clients, is 35 hours a week.

During the year, there are also about two weeks of holidays which are observed in the investment business, and most salesmen take at least a two week vacation. Here, then, are another two hours a day that during the year will be subtracted from your available selling time. This cuts you down to about 33 hours a week that are available to you, even if you have some sales interviews at night, on Saturdays, and arrange two luncheon appointments a week.

Time for Preparation

But we still have not included time that must be spent in making appointments, for doing clerical work, for important record keeping, and for reading and study of situations, markets, and the making out of reports, and the dictation of necessary correspondence. If you spend an hour between 9 and 10 each morning for this purpose, you must deduct another five hours each week from your selling time. You now have only 28 hours a week for actual selling, field work and the servicing of customer's accounts directly related to the purchasing and selling of securities. Working six days a week, nights, and during lunch time, you actually have about five and a half hours a day when you are free to go out and do business.

Plan Your Time and Place A Value on It

When you ask the men who have made an above average success in the selling field, you will find that all of them are keenly aware of the value of their time. Nearly all of them are planners. They set up each day and they know where they are going. If they work outside their office, they make their appointments on a set schedule, and if they are seated at their desk, they allocate a certain hour to do their book work, reading, and record keeping before they begin active consultation with clients. Five hours can be added to your actual selling time each week by doing your necessary record keeping before 9 in the morning. Small accounts that require too much service for the compensation received should be turned over to junior salesmen, and this will often be helpful to your associates who are starting out in the business, and release your time for the cultivation of more profitable business.

I have never believed that a salesman should concentrate on large accounts to the exclusion of other business. A diversified clientele is much sounder than one consisting of only a few large accounts, but when you allocate the limited time available every day that a salesman can devote to the actual production of business, he is much more effective spending his time where it will bring him larger rewards for the same amount of effort. This is a matter of pure economics. Time wasted is money wasted. When you realize how few are the hours you can devote to the actual production of business every week, you rightfully should place a high value upon every minute of your time and use every one of them to the best advantage.

Currie V.-P. of Union Service

Stanley R. Currie was elected a Vice-President of Union Service Corp., 65 Broadway, New York City, at a meeting of the board of directors, according to Francis F. Randolph, Chairman and President. Union Service provides investment research and administrative services on an at-cost basis to Tri-Continental Corp. and the Broad Street Group of Mutual Funds—Broad Street Investing Corp., National Investors Corp. and Whitehall Fund, Inc.

As Vice-President, Mr. Currie will assist in the planning and supervision of the work of the investment research and administrative staffs which serve Tri-Continental and the Broad Street Group of Funds.

Sutro Bros. Co. To Admit Partner

Sutro Bros. & Co., 80 Pine Street, New York City, members of the New York Stock Exchange, on Jan. 4, will admit Albert J. Eisenberg to partnership.

With Walston Co.

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — William F. Gahr is now connected with Walston & Co., Inc., 265 Montgomery St. He was formerly with Hooker & Fay, Inc.

STATE OF TRADE AND INDUSTRY

Continued from page 16

half production surge. General business conditions are moving ahead rapidly, so strike-hedging comes on top of rapidly increasing demand for steel.

In addition, many steel consumers believe the contract settlement will be followed by a steel price increase. This increases the incentive to build inventories.

The Iron Age says the current buildup is running a full month ahead of the pickup that preceded the 1959 steel negotiations. The current rate of production—in the last week of December—was not reached until February of 1959.

The present rate of production, if continued through the first half of 1962, would result in about 57 million tons. And this rate has been reached without support of large orders for oil country goods, freight car production, pipe jobbers, and miscellaneous users.

When these consumers come into the steel market, the production rate will have to go up. This accounts for the forecast of possibly 65 million tons of steel produced in the first half of the year.

Steelmakers Trim Production During Christmas Week

Steelmakers are trimming production slightly during the Christmas week to cut down on overtime pay and to repair furnaces that will be working close to capacity for the next six months, *Steel* magazine said.

This week's output will be slightly lower than the 2,230,000 tons of ingots that the metalworking weekly estimates the industry produced last week. It was the largest weekly tonnage poured since the week ended April 23, 1960, when 2,238,000 tons were made.

Output during December will be at least 9.7 million ingot tons.

Both of metalworking's chief consumer outlets, the auto and appliance industries, are on an upswing which is expected to continue strongly into 1962. The outlook (1962 vs. 1961): Car output is expected to be up 17 to 24%; truck output, up 8 to 10%; appliance output, up 5 to 10%.

High rates of auto and appliance production will also influence spending decisions on industrial commodities, consumer goods, and capital equipment.

Steelmakers have been preparing for a surge of demand in the first quarter by stockpiling semi-finished material.

Scrap dealers are anticipating a substantial rise in orders next month. The market undertone seems stronger even though *Steel's* scrap price composite on the No. 1 heavy melting grade stayed at $34.33 a gross ton last week.

The aluminum market is expected to gain in 1962 despite the uncertainties present in a year of major labor negotiations. Most contracts expire on July 31.

Steel magazine says to look for shipments to jump at least 10% over the 1961 total (around 2.4 million tons) and reach a new high. Sparking the rise:

(1) More autos will be built, using more pounds of aluminum per car than ever.

(2) Shipments to the building industry will be higher.

(3) Packaging, aluminum's fastest growing market, will continue to spurt.

(4) Uses in railroad rolling stock, oil country pipe, and ordnance will gain.

(5) A bigger export market is in store.

Prices look stable. Top aluminum people would like to see the ingot price go back to the 26 cent a pound level, which they term "fair and reasonable," but they admit that the current price, 24 cents, is "more realistic" under present market conditions.

Prospects for magnesium in 1962 are brightening, too. *Steel* says to look for primary magnesium production to hit around 60,000 tons, the highest mark since 1957. A decline in military orders has been pretty much offset by increasing acceptance of magnesium in industrial and consumer uses.

Steel Production Data for the Week Ended Dec. 23, 1961

According to data compiled by the American Iron and Steel Institute, production for the week ended Dec. 23, 1961, was 2,225,000 tons (*119.4%), or 1.1% above the output of 2,200,000 (*118.1%) in the week ended Dec. 16.

Production this year through Dec. 23, 51 weeks, amounted to 95,536,000 (*100.6), or 1.8% below the period through Dec. 24, 1960.

The year to date production for 1960 through Dec. 24, 1960, 51 weeks, was 97,310,000 tons or (*102.4%).

The Institute concludes with index of Ingot Production by Districts for week ended Dec. 23, 1961, as follows:

	*Index of Ingot Production for Week Ended Dec. 23, 1961
North East Coast	113
Buffalo	116
Pittsburgh	113
Youngstown	102
Cleveland	132
Detroit	141
Chicago	130
Cincinnati	139
St. Louis	131
Southern	112
Western	113
Total	119.4

*Index of production based on average weekly production for 1957-1959.

Auto Production Rises 28.4% Over Same 1960 Week

Auto production in the U. S. during December will be the highest on record for the month, since 1955, climaxing the second best fourth quarter in history for the industry, *Ward's Automotive Reports* said.

The statistical agency said that production this month will reach 625,000 units, a 19.5% rise over the same month of 1960. Fourth-quarter output thus will be about 1,828,500 passenger cars, 5.1% more than were assembled in the same period of last year and topped only by the 1,949,000 turned out in the final three months of 1955.

Ward's estimated entire 1961 calendar year output at 5,515,000, a 17.6% decline from 6,696,108 in 1960, but pointed out that some 42% of that number, or 2,325,000, are of 1962 model design.

The 625,000 cars expected to be built by month's end will be fewer than the 646,015 built in November only because of the upcoming holidays. Car makers eliminated Saturday overtime from schedules, and only a four-day session is in prospect next week. But beginning Jan. 2, the industry has planned one of its busiest first quarters in history.

Output for the week ending Dec. 22 was estimated at 147,545 cars, a 10.7% decline from the year's high of 165,219 last week, but 28.4% above 114,941 in the same year-ago period.

Some assembly workers concluded operations for the week on Friday, Dec. 22 and the entire industry was idle on Saturday, Dec. 23. At least five plants are closed this week, as Chrysler Corp. calls a holiday cessation at Dodge and Plymouth plants.

Truck production during December is at its highest level since 1952 when the industry was swamped with a backlog of orders due to military needs of the Korean War. Well over 100,000 units will be produced in the month.

Truck making in entire 1961 will lag but 5.9% behind 1960. Fourth-quarter output of trucks, approaching 310,000 units, will be only about 2,000 units under the high for the period established in 1955.

Of the week's passenger car production, General Motors accounted for 48.8%; Ford Motor Co. 30.3%; Chrysler Corp 13.1%; American Motors 6.1%; and Studebaker-Packard 1.7%.

Pre-Christmas Dip in Failures For Week Ended Dec. 21

Commercial and industrial failures dropped to 173 in the week ended Dec. 21, from 306 in the preceding week, reports Dun & Bradstreet, Inc. Casualties ran considerably lighter than last year when 253 occurred in 1960. Business failing in the current week ran some 67% below the prewar level of 249 registered in the corresponding week of 1939.

Failures involving liabilties of $100,000 or more dropped to 20 from 31 a week ago and 21 last year. There were also declines among smaller casualties with losses under $100,000 to 153 from 275 in the previous week and 232 in the similar week of 1960.

Failures declined from the prior week in all of the five broad industry and trade groups, with the most noticeable dips among retailers, down to 74 from 143, and manufacturers down to 38 from 62. Fewer concerns succumbed than a year ago in all industry and trade groups.

Of the nine regions, only Mountain States reported increases from the prior week. The most appreciable decreases occurred in the Middle Atlantic region, down to 45 from 96, in the South Atlantic region, down to 13 from 56, and in the East North States down to 27 from 56. In all except one region, the Mountain States, business mortality dipped below last year's levels.

Canadian failures dropped to 6 from 25 in the preceding week and 23 in the similar week a year ago.

Electric Output 7% Higher Than in 1960 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Dec. 23, was estimated at 16,630,000,000 kwh., according to the Edison Electric Institute. Output was 365,000,000 kwh. below that of the previous week's total of 16,695,000,000 kwh. and 1,095,000,000 kwh., or 7% above that of the comparable 1960 week.

Lumber Shipments Were 3% Below Same Week in 1960

Lumber shipments in the United States in the week ended Dec. 16, totaled 211,334,000 board feet, compared with 213,829,000 board feet in the prior week, according to reports from regional associations. A year ago the figure was 200,386,000 board feet.

Compared with 1960 levels, output climbed 5.5% while shipments fell 3% and orders rose 3.2%.

Following are the figures in thousands of board feet for the weeks indicated:

	Dec. 16 1961	Dec. 2 1961	Dec. 17 1960
Production	211,334	213,829	200,386
Shipments	195,851	207,434	202,004
Orders	200,222	200,028	194,028

Freight Carloadings Dropped 4.9% Below Corresponding Week Last Year

Loading of revenue freight in the week ended December 16 totaled 532,853 cars, the Association of American Railroads announced. This was a decrease of 27,749 cars or 4.9% below the preceding week and reflects the usual seasonal decline in car loadings.

The loadings represented an increase of 46,804 cars or 9.6% above the corresponding week in 1960, but a decrease of 82,480 cars or 13.4% below the corresponding week in 1959.

There were 12,509 cars reported loaded with one or more revenue highway trailers or highway containers (piggyback) in the week ended Dec. 9, 1961 (which were included in that week's over-all total). This was an increase of 1,572 cars or 14.4% above the corresponding week of 1960 and an increase of 3,879 cars or 44.9% above the 1959 week.

Cumulative piggyback loadings for the first 49 weeks of 1961 totaled 558,980 for an increase of 32,112 cars or 6.1% above the corresponding period of 1960 and 164,090 cars or 41.6% above the corresponding period in 1959. There were 58 class I U. S. railroad systems originating this type traffic in the current week compared with 53 one year ago and 50 in the corresponding week in 1959.

Intercity Truck Tonnage Was 21.9% Ahead of Same Week Last Year

Intercity truck tonnage in the week ended Dec. 16 was 21.9% ahead of volume in the corresponding week of 1960, the American Trucking Associations announced. This sizable gain was largely attributable to unusual tonnage increases at a number of Eastern terminal cities affected by severe weather conditions during this week last year. Truck tonnage was 4.3% below that of the previous week this year.

These findings are based on the weekly survey of 34 metropolitan areas conducted by the ATA Department of Research and Transport Economics. The report reflects tonnage handled at more than 400 truck terminals of common carriers of general freight throughout the country.

The terminal survey for last week showed increased tonnage from a year ago at 31 localities, while three points reflected tonnage decreases from the 1960 level.

Compared to the immediately preceding week, four metropolitan areas registered increased tonnage, while 30 areas reported decreases. The week-to-week findings follow the pattern of generally declining tonnage which has been found at this season in previous years.

Due to the Christmas Holiday, the **Wholesale Commodity Price Index** figures were not available.

Wholesale Food Price Index Inches Higher but Still Below Last Year

The Wholesale Food Price Index, compiled by Dun & Bradstreet, Inc., continued to move up fractionally, but remained below comparable 1960 levels for the 14th straight week. On Dec. 26, the index inched up 0.2% to $5.98 from $5.97 in the preceding week although it was 2.9% lower than the $6.16 registered in the similar week a year ago.

Foods quoted higher in wholesale cost this week were barley, hams, cheese, sugar, cottonseed oil, potatoes, steers, and hogs. Declines, on the other hand, occurred in only five items: wheat, beef, lard, cocoa, and eggs.

The Dun & Bradstreet, Inc., Wholesale Food Price Index represents the sum total of the price per pound of 31 raw foodstuffs and meat in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Christmas Buying Forges Ahead For Week Ended Dec. 20

Shoppers stepped up purchases to a fast pace in the week ended Wednesday, Dec. 20, lifting total retail volume well ahead of a year ago. There were, however, wide regional variations ranging from record climbs on both coasts to some dips in the Midwest. Substantial gains were chalked up in toys, women's accessories, linens, housewares, and entertainment equipment. On the other hand, activity in men's wear was mixed, held even in furniture. Sales of autos slowed somewhat from the record daily rates of November although they compared favorably with last year's levels.

The total dollar volume of retail trade in the week ended Wednesday, Dec. 20, ranged from +2 to +6% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from comparable 1960 levels by the following percentages: West North Central −3 to +1; East North Central and Mountain −2 to +2; East South Central 0 to +4; South Atlantic and West South Central +1 to +5; Pacific +3 to +7; New England +5 to +9; Middle Atlantic +8 to +12.

Nationwide Department Store Sales Increased 9% Over The 1960 Week

Department stores sales on a country-wide basis as taken from the Federal Reserve Board's index reported a 9% rise for the week ended Dec. 16, 1961, compared with the like period last year. For the week ended Dec. 9, sales were 1% higher than last year. In the four-week period ended Dec. 16, 1961, sales advanced 5% over the corresponding period in 1960.

According to the Federal Reserve System department store sales in New York City for the week ended Dec. 16, were 19% higher than compared with the same period last year. In the preceding week ended Dec. 9, sales were 2% higher than the same period last year. For the four weeks ending Dec. 16, a 9% increase was reported above the 1960 period while from Jan. 1 to Dec. 16, a 3% increase over sales in the comparable period of 1960 was recorded.

Now North Amer. Investors

WINTER PARK, Fla.—The firm name of Ireland and Co., Inc., 1245 Orange Avenue has been changed to North American Investors, Inc.

Now Scientific Inv. Corp.

CHICAGO, Ill.—The firm name of Growth for Investors Corporation, 11 South La Salle Street, has been changed to Scientific Investors Corporation.

With Louis G. Rogers

(Special to THE FINANCIAL CHRONICLE)

CHARLOTTE, N. C.—Albert P. McMillan, Jr. has become connected with Louis G. Rogers & Company, 205 South Church Street.

Schaefer, Lowe Adds

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif. — Stanley S. Davis has become connected with Schaefer, Lowe & McCamant, Inc., 1 Bush Street. He was formerly with Dean Witter & Co.

Rejoins Dempsey-Tegeler

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Leonard J. Swiger has rejoined the staff of Dempsey-Tegeler & Co., Inc., 255 California Street. He has recently been with Hooker & Fay Inc.

With Currier & Carlsen

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Harold C. Frost has become affiliated with Currier & Carlsen, Inc., Denver Club Building. He was formerly with Preferred Securities Inc.

First Nebraska Adds

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Robert D. Northrop has been added to the staff of First Nebraska Securities Corporation, 1001 O Street, members of the New York Stock Exchange.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (per cent capacity)	Dec. 23	76.0	75.5	69.5	39.4
Equivalent to—					
Steel ingots and castings (net tons)	Dec. 23	2,225,000	2,200,000	2,032,000	1,122,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	Dec. 15	7,355,160	7,397,060	7,205,000	7,065,260
Crude runs to stills—daily average (bbls.)	Dec. 15	8,276,000	8,291,000	8,170,000	7,927,000
Gasoline output (bbls.)	Dec. 15	30,140,000	29,766,000	29,063,000	28,602,000
Kerosene output (bbls.)	Dec. 15	3,001,000	3,031,000	2,718,000	2,956,000
Distillate fuel oil output (bbls.)	Dec. 15	13,815,000	14,735,000	14,191,000	12,924,000
Residual fuel oil output (bbls.)	Dec. 15	6,744,000	6,265,000	5,793,000	6,644,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Dec. 15	188,833,000	187,466,000	182,101,000	189,959,000
Kerosene (bbls.) at	Dec. 15	34,687,000	35,084,000	36,591,000	34,603,000
Distillate fuel oil (bbls.) at	Dec. 15	162,815,000	169,118,000	178,483,000	159,534,000
Residual fuel oil (bbls.) at	Dec. 15	46,923,000	47,524,000	48,696,000	48,632,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Dec. 16	532,853	560,602	590,642	486,049
Revenue freight received from connections (no. of cars)	Dec. 16	498,859	511,289	517,975	454,692
CIVIL ENGINEERING CONSTRUCTION—ENGINEERING NEWS-RECORD:					
Total U. S. construction	Dec. 21	$384,700,000	$393,000,000	$304,800,000	$443,900,000
Private construction	Dec. 21	156,900,000	206,000,000	149,000,000	158,600,000
Public construction	Dec. 21	227,800,000	187,000,000	155,800,000	285,400,000
State and municipal	Dec. 21	190,400,000	145,000,000	138,100,000	194,500,000
Federal	Dec. 21	37,400,000	42,000,000	17,700,000	90,900,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Dec. 16	8,535,000	8,425,000	8,890,000	7,591,000
Pennsylvania anthracite (tons)	Dec. 16	339,000	363,000	352,000	420,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE=100	Dec. 16	333	299	180	305
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Dec. 23	16,630,000	16,695,000	15,330,000	15,535,000
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	Dec. 21	173	306	238	253
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Dec. 18	6.196c	6.196c	6.196c	6.196c
Pig iron (per gross ton)	Dec. 18	$66.44	$66.44	$66.44	$66.32
Scrap steel (per gross ton)	Dec. 18	$34.50	$34.50	$32.83	$28.50
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Dec. 20	30.600c	30.600c	30.600c	29.600c
Export refinery at	Dec. 20	28.125c	28.400c	28.050c	27.500c
Lead (New York) at	Dec. 20	10.250c	10.250c	10.000c	11.000c
Lead (St. Louis) at	Dec. 20	10.050c	10.050c	9.800c	10.800c
‡Zinc (delivered) at	Dec. 20	12.500c	12.500c	12.000c	12.500c
Zinc (East St. Louis) at	Dec. 20	12.000c	12.000c	11.500c	12.000c
Aluminum (primary pig, 99.5%) at	Dec. 20	24.000c	24.000c	24.000c	26.000c
Straits tin (New York) at	Dec. 20	120.500c	120.875c	123.125c	100.875c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Dec. 26	85.83	85.77	86.94	87.71
Average corporate	Dec. 26	85.85	85.98	86.24	86.65
Aaa	Dec. 26	89.64	89.64	90.48	91.05
Aa	Dec. 26	87.86	87.99	88.40	88.67
A	Dec. 26	85.96	85.59	85.59	85.85
Baa	Dec. 26	80.93	80.93	81.05	81.29
Railroad Group	Dec. 26	83.03	83.28	83.91	83.91
Public Utilities Group	Dec. 26	87.18	87.18	87.18	87.86
Industrials Group	Dec. 26	87.45	87.45	87.86	88.13
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Dec. 26	4.15	4.15	4.00	3.81
Average corporate	Dec. 26	4.72	4.71	4.69	4.66
Aaa	Dec. 26	4.44	4.44	4.38	4.34
Aa	Dec. 26	4.57	4.56	4.53	4.51
A	Dec. 26	4.75	4.74	4.74	4.72
Baa	Dec. 26	5.11	5.11	5.10	5.08
Railroad Group	Dec. 26	4.94	4.92	4.87	4.87
Public Utilities Group	Dec. 26	4.62	4.62	4.62	4.57
Industrials Group	Dec. 26	4.60	4.60	4.57	4.55
MOODY'S COMMODITY INDEX	Dec. 26	375.7	373.6	368.2	357.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Dec. 16	314,562	351,763	332,241	246,628
Production (tons)	Dec. 16	341,752	338,958	344,952	300,066
Percentage of activity	Dec. 16	95	95	97	87
Unfilled orders (tons) at end of period	Dec. 16	469,658	497,784	515,009	333,862
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE=100	Dec. 22	114.13	114.04	113.67	108.80
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	Dec. 1	3,356,720	2,622,090	2,731,010	2,410,890
Short sales	Dec. 1	589,480	555,020	452,660	443,810
Other sales	Dec. 1	2,659,310	1,994,330	2,305,600	1,866,690
Total sales	Dec. 1	3,248,790	2,549,350	2,758,260	2,310,500
Other transactions initiated off the floor—					
Total purchases	Dec. 1	469,170	393,700	344,700	427,470
Short sales	Dec. 1	101,900	70,200	28,900	62,100
Other sales	Dec. 1	435,840	296,040	303,280	367,560
Total sales	Dec. 1	537,740	366,240	332,180	429,660
Other transactions initiated on the floor—					
Total purchases	Dec. 1	1,089,853	993,702	934,522	763,140
Short sales	Dec. 1	131,150	141,300	104,860	180,390
Other sales	Dec. 1	1,034,844	813,439	716,488	649,736
Total sales	Dec. 1	1,165,994	954,739	821,348	830,126
Total round-lot transactions for account of members—					
Total purchases	Dec. 1	4,915,743	4,009,492	4,010,232	3,601,500
Short sales	Dec. 1	822,530	766,520	586,420	686,300
Other sales	Dec. 1	4,129,994	3,103,809	3,325,368	2,883,986
Total sales	Dec. 1	4,952,524	3,870,329	3,911,788	3,570,286
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION					
Odd-lot sales by dealers (customers' purchases)—†					
Number of shares	Dec. 1	2,289,612	1,788,886	1,851,100	1,651,053
Dollar value	Dec. 1	$125,979,945	$100,161,226	$105,072,491	$75,313,989
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—customers' total sales	Dec. 1	2,338,215	1,886,869	1,874,426	1,765,457
Customers' short sales	Dec. 1	15,917	10,222	15,844	16,655
Customers' other sales	Dec. 1	2,322,298	1,876,647	1,858,582	1,748,802
Dollar value	Dec. 1	$116,816,155	$95,968,582	$96,954,159	$78,388,464
Round-lot sales by dealers—					
Number of shares—Total sales	Dec. 1	743,970	591,230	571,420	586,470
Short sales	Dec. 1	------	------	------	------
Other sales	Dec. 1	743,970	591,230	571,420	586,470
Round-lot purchases by dealers—Number of shares	Dec. 1	655,020	474,540	559,130	468,600
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total round-lot sales—					
Short sales	Dec. 1	1,048,970	909,970	714,600	948,130
Other sales	Dec. 1	21,936,780	17,292,430	17,896,890	16,325,810
Total sales	Dec. 1	22,985,750	18,202,400	18,611,490	17,273,940
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49=100):					
Commodity Group—					
All commodities	Dec. 19	119.2	119.1	118.8	119.5
Farm products	Dec. 19	87.7	*87.6	87.2	88.8
Processed foods	Dec. 19	109.5	*108.9	108.3	109.6
Meats	Dec. 19	95.0	*93.8	93.2	97.6
All commodities other than farm and foods	Dec. 19	127.7	127.7	127.5	127.9

*Revised figure. †Number of orders not reported since introduction of Monthly Investment Plan. ‡Prime Western Zinc sold on delivered basis at centers where freight from East St. Louis exceeds one-half cent a pound.

	Latest Month	Previous Month	Year Ago
AMERICAN PETROLEUM INSTITUTE—Month of September:			
Total domestic production (barrels of 42 gallons each)	237,845,000	249,824,000	237,211,000
Domestic crude oil output (barrels)	209,848,000	220,218,000	209,119,000
Natural gasoline output (barrels)	27,984,000	29,595,000	28,076,000
Benzol output (barrels)	13,000	11,000	16,000
Crude oil imports (barrels)	33,147,000	34,048,000	32,691,000
Refined product imports (barrels)	21,751,000	18,780,000	20,634,000
Indicated consumption domestic and export (barrels)	280,696,000	299,313,000	276,189,000
Increase all stocks (barrels)	12,047,000	3,339,000	14,347,000
BANK DEBITS—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—Month of November (000's omitted)	$272,541,000	$275,120,000	$235,100,000
BANKERS' DOLLAR ACCEPTANCES OUTSTANDING — FEDERAL RESERVE BANK OF NEW YORK—As of Nov. 30:			
Imports	$460,591,000	$456,972,000	$401,238,000
Exports	939,108,000	948,773,000	646,746,000
Domestic shipments	16,765,000	16,005,000	12,995,000
Domestic warehouse credits	270,012,000	208,834,000	215,776,000
Dollar exchange	98,240,000	91,445,000	146,100,000
Based on goods stored and shipped between foreign countries	770,007,000	769,334,000	444,791,000
Total	$2,554,723,000	$2,491,363,000	$1,876,646,000
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR—Month of November (in millions):			
Total new construction	5,062	*5,325	4,771
Private construction	3,637	*3,699	3,395
Residential buildings (nonfarm)	2,078	*2,093	1,840
New housing units	1,614	*1,613	1,392
Additions and alterations	362	*376	361
Nonhousekeeping	102	104	87
Nonresidential buildings	948	954	946
Industrial	221	221	261
Commercial	424	425	402
Office buildings and warehouses	196	201	201
Stores, restaurants and garages	228	224	201
Other nonresidential buildings	303	308	283
Religious	89	90	91
Educational	54	56	51
Hospital and institutional	72	72	57
Social and recreational	62	64	63
Miscellaneous	26	26	21
Farm construction	121	*129	103
Public utilities	472	504	479
Telephone and telegraph	84	89	99
Other public utilities	388	415	380
All other private	18	19	27
Public construction	1,425	*1,626	1,376
Residential buildings	79	76	60
Nonresidential buildings	411	*456	408
Industrial	32	*32	36
Educational	244	*276	239
Hospital and institutional	34	*34	33
Administrative and service	55	*64	50
Other nonresidential buildings	46	*50	50
Military facilities	96	*80	156
Highways	511	*651	450
Sewer and water systems	131	*140	119
Sewer	77	*81	67
Water	54	*59	52
Public service enterprises	40	*49	55
Conservation and development	127	*139	106
All other public	30	35	22
FACTORY EARNINGS AND HOURS—WEEKLY AVERAGE ESTIMATE — U. S. DEPT. OF LABOR—Month of November:			
Weekly earnings—			
All manufacturing	$95.82	*$94.54	$89.21
Durable goods	104.65	*102.66	96.23
Nondurable goods	85.17	*84.56	80.52
Hours—			
All manufacturing	40.6	*40.4	39.3
Durable goods	41.2	*40.9	39.6
Nondurable goods	39.8	*39.7	38.9
Hourly earnings—			
All manufacturing	$2.36	*$2.34	$2.27
Durable goods	2.54	2.51	2.43
Nondurable goods	2.14	*2.13	2.07
INDUSTRIAL PRODUCTION—BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM—1947-49 = 100—Month of Nov.:			
Seasonally adjusted	114	113	105
Unadjusted	115	*116	106
TREASURY MARKET TRANSACTIONS IN DIRECT AND GUARANTEED SECURITIES OF U. S. A.—Month of November:			
Net sales	------	------	------
Net purchases	$57,279,000	$36,797,000	$105,505,300
RUBBER MANUFACTURING ASSOCIATION, INC.—Month of October:			
Passenger & Motorcycle Tires (Number of)—			
Shipments	9,598,818	8,774,003	8,760,476
Production	9,818,648	*8,774,289	8,461,143
Inventory	21,025,501	20,768,533	21,816,128
Tractor Implement Tires (Number of)—			
Shipments	277,660	248,513	260,147
Production	267,513	229,711	228,728
Inventory	921,961	921,710	902,055
Passenger, Motorcycle, Truck & Bus Inner Tubes (Number of)—			
Shipments	3,434,559	2,856,060	2,999,934
Production	3,560,134	3,081,032	3,067,067
Inventory	9,095,955	8,889,916	10,588,702
Tread Rubber (Camelback)—			
Shipments (pounds)	49,907,000	42,953,000	48,327,000
Production (pounds)	46,713,000	42,092,000	44,541,000
Inventory (pounds)	14,508,000	18,321,000	19,946,000
Truck and Bus Tires (Number of)—			
Shipments	1,510,152	1,214,374	1,253,830
Production	1,331,338	1,118,853	1,068,919
Inventory	3,169,947	3,327,569	3,682,610

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
● ITEMS REVISED

NOTE — Because of the large number of issues awaiting processing by the SEC, it is becoming increasingly difficult to predict offering dates with a high degree of accuracy. The dates shown in the index and in the accompanying detailed items reflect the expectations of the underwriter but are not, in general, to be considered as firm offering dates.

AAA Trailer Sales, Inc.
Dec. 18, 1961 ("Reg. A") 75,000 common. **Price** — $2. **Business**—Sale and rental of mobile homes, trailers and related accessories. **Proceeds**—For debt repayment and general corporate purposes. **Office**—7440 E. Calfax Ave., Denver. **Underwriter**—Copley & Co., Colorado Springs, Colo.

● **ABC Air Freight Co., Inc.**
Oct. 25, 1961 filed 105,000 common. **Price**—By amendment. **Business**—Furnishing of air freight services throughout the U. S. **Proceeds**—For expansion. **Office**—467 Tenth Ave., N. Y. **Underwriter**—Flomenhaft, Seidler & Co., N. Y. **Offering**—In early March.

● **ABC Cellophane Corp. (2/5-9)**
Sept. 7, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—A converter of packaging material, producing polyethylene and cellophane bags and sheets. **Proceeds** — For a new plant and equipment and working capital. **Office**—1368-72 Utica Ave., Brooklyn. **Underwriter**—Havener Securities Corp., N. Y.

A. & M. Instrument, Inc. (1/16)
Oct. 19, 1961 filed 150,000 common. **Price**—$3.50. **Business**—Manufacture of instrument testing and measuring devices for the electronic and electrical industries. **Proceeds**—For debt repayment and general corporate purposes. **Office**—48-01 31st Ave., Long Island City, N. Y. **Underwriters**—Crosse & Co., Inc.; V. S. Wickett & Co., Inc., and Thomas, Williams & Lee, N. Y.

Accuracy Inc.
Dec. 8, 1961 ("Reg. A") 60,000 common. **Price**—$5. **Business** — Research, design and manufacture of precision potentiometers. **Proceeds**—For general corporate purposes. **Office**—223 Crescent St., Waltham, Mass. **Underwriter**—Mann & Creesy, Salem, Mass.

Aceto Chemical Co., Inc. (1/8-12)
Sept. 27, 1961 filed 88,000 common. **Price**—$5. **Business**—Purchase and sale of chemicals and by-products. **Proceeds**—For expansion, sales promotion, and working capital. **Office**—40-40 Lawrence St., Flushing, N. Y. **Underwriter**—Karen Securities Corp., N. Y.

● **Acratex Chemical Coatings, Inc.**
Aug. 8, 1961 ("Reg. A") 99,900 common. **Price**—$3. **Business**—The manufacture of a wallcovering product. **Proceeds** — For expansion and general corporate purposes. **Office**—Easton St., Ronkonkoma, N. Y. **Underwriter**—Tyche Securities Inc., N. Y. **Note**—This letter was withdrawn.

Acro Electronic Products Co. (1/15-19)
July 17, 1961 filed 100,000 class A common shares. **Price**—By amendment. **Business**—Manufacture of transformers for electronic and electrical equipment. **Proceeds**—For relocating to and equipping a new plant, purchase of inventory, research and development, advertising, promotion and merchandising, repayment of debt and other corporate purposes. **Office**—369 Shurs Lane, Philadelphia. **Underwriter**—Roth & Co., Inc., Philadelphia.

Acrylic Optics Corp. (1/22-26)
Nov. 28, 1961 ("Reg. A") $240,000 of 15-year 6% convertible subordinated debentures (convertible into common at $1.50 per share); and 40,000 common shares. **Price**—For debentures at par; for stock, $1.25. **Business**—Research, design and manufacture of contact lenses and accessories. **Proceeds**—For expansion. **Office**—1928 Firth National Bank, Detroit. **Underwriter**—A. D. Gilhard & Co., Inc., N. Y.

Advance Cable Systems Corp.
Nov. 30, 1961 ("Reg. A") 55,000 common. **Price** — $4. **Business**—Design, manufacture and installation of electronic cable systems and hardware. **Proceeds**—For debt repayment, equipment and working capital. **Office**—12806 Bradley Ave., Sylmar, Calif. **Underwriter**—B. B. George Securities, Ltd., N. Y.

● **Aero-Dynamics Corp. (1/29-2/2)**
Aug. 7, 1961 filed 100,000 common shares. **Price**—$5. **Business** — The importation and distribution of Italian marble and mosaic tiles. **Proceeds** — For the purchase and installation of new moulds, machinery and equipment, research and general corporate purposes. **Office**—250 Goffle Road, Hawthorne, N. J. **Underwriters**—Cambridge Securities, Inc. and Edward Lewis Co., Inc., N. Y.

Aerological Research, Inc.
Aug. 29, 1961 filed 100,000 common. **Price**—$3.50 **Business** — The manufacture of instruments for aerology, meterology, oceanography, geophysics and atmospheric phenomenon. **Proceeds**—For working capital. **Office**—420 Division St., Long Branch, N. J. **Underwriter**—A. D. Gilhart & Co., Inc., N. Y. **Offering**—Imminent.

Agency Tile Industries, Inc. (1/8-12)
Sept. 6, 1961 ("Reg. A") 120,000 common. **Price**—$2.50. **Business**—Importing, marketing and distributing ceramic tiles. **Proceeds**—Debt payment, new products, sales promotion and advertising, new office and warehouse and working capital. **Office**—522 W. 29th St., N. Y. **Underwriter**—International Services Corp., Paterson, N. J.

Air Master Corp.
May 26, 1961 filed 200,000 shares of class A common stock, of which 50,000 shares are to be offered for public sale by the company and 150,000 outstanding shares by the present holders thereof. **Price**—To be supplied by amendment. **Business** — The manufacture and sale of aluminum storm windows and doors, and other aluminum products. **Proceeds**—For working capital, and other corporate purposes. **Office**—20th Street, and Allegheny Avenue, Philadelphia, Pa. **Underwriter**—Francis I. du Pont & Co., N. Y. **Note**—This offering has been temporarily postponed.

Airtechnology Corp.
Nov. 15, 1961 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Electronic research, development and manufacture under U. S. Govt. contract. **Proceeds**—For investment in own and other companies, and working capital. **Office**—640 Memorial Dr., Cambridge, Mass. **Underwriter**—Schirmer, Atherton & Co., Boston.

● **Airtronics International Corp. of Florida (1/29-2/2)**
July 29, 1961 filed 199,000 common, of which 110,000 are to be offered by the company and 89,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of electronic, mechanical and components. **Proceeds**—Repayment of loans, expansion and working capital. **Office**—6900 West Road 84, Fort Lauderdale, Fla. **Underwriters**—Stein Bros. & Boyce, Baltimore and Vickers, McPherson & Warwick, Inc., N. Y.

Alan-Randal Co., Inc. (1/15-19)
Oct. 27, 1961 ("Reg. A") 120,000 common. **Price**—$2.50. **Business**—Distributor of pens and other advertising material. **Proceeds** — For working capital. **Office** — 11608 Ventura Blvd., Studio City, Calif. **Underwriter**—Pacific Coast Securities Co., San Francisco, Calif.

Alaska Pacific Lumber Co. (1/29-2/2)
Nov. 17, 1961 filed 250,000 common. **Price**—By amendment. **Business**—A lumber company. **Proceeds**—For construction and working capital. **Office**—614 Equitable Bldg., Portland, Ore. **Underwriter**—Dempsey-Tegeler & Co., Inc., St. Louis.

● **Albert Voigt Industries, Inc. (1/8-12)**
Aug. 29, 1961 filed 80,000 common. **Price**—$4. **Business**—The manufacture of metal store fixtures, show cases and related items. **Proceeds**—For repayment of loans, working capital, a leasehold improvement and moving expenses. **Office**—14-20 Dunham Pl., Brooklyn, N. Y. **Underwriter**—David Barnes & Co., Inc., N. Y. C.

Al-Crete Corp. (1/15-19)
Sept. 20, 1961 filed 127,000 class A common. **Price**—$3. **Business**—Development and manufacture of a new variety of building products. **Proceeds**—For construction of a new plant. **Office**—4800 Baltimore Ave., Hyattsville, Md. **Underwriter**—Whitehall Securities Corp., Pittsburgh.

★ **Allegheny Aluminum Industries, Inc.**
Dec. 21, 1961 filed 100,000 common. **Price**—$4.25. **Business**—Manufacture of aluminum and fiberglass awnings and aluminum combination storm-screen windows and doors. Proceeds—For an acquisition, debt repayment and general corporate purposes. **Office**—5007 Lytle St., Pittsburgh, Pa. **Underwriter**—First Madison Corp., N. Y.

● **All Star World Wide, Inc. (1/5)**
July 7, 1961 filed $250,000 of 5% convertible subordinated debentures due 1971 and 150,000 common shares. **Price**—For debentures, at par; for stock, $5. **Business**—Joint venture with Brunswick Corp. to establish and operate bowling centers in Europe. **Proceeds**—For expansion and general corporate purposes. **Office**—100 W. Tenth St., Wilmington, Del. **Underwriters**—Alessandrini & Co., Inc. and Hardy & Hardy, New York (managing).

All-State Auto Rental Corp. (1/8-12)
Sept. 28, 1961 filed 50,000 common. **Price**—$4. **Business**—Leases motor vehicles. **Proceeds**—For working capital. **Office** — 31-04 Northern Blvd., Long Island City, N. Y. **Underwriter**—None.

All Weather Roll N' Ice, Inc.
Nov. 6, 1961 ("Reg. A") 25,000 common. **Price**—$3. **Business**—Operation of a roller skating and ice skating rink. **Proceeds**—For expansion and working capital. **Office**—Copiague, L. I., N. Y. **Underwriters**—Richard Gray Co. (mgr.) and Weinberg, Ost & Co., N. Y.

Allied Capital Corp.
Oct. 20, 1961 filed 213,427 common, of which 200,000 will be offered to the public and 13,427 to stockholders on a 1-for-10 basis. **Price**—By amendment. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—7720 Wisconsin Ave., Bethesda, Md. **Underwriter**—Allen & Co., N. Y. **Offering**—In Jan.

Allison Industries, Inc.
Nov. 2, 1961 ("Reg. A") 60,000 common. **Price** — $3. **Business**—Design and manufacture of board games, toys and Christmas stockings. The company also operates a discount department store. **Proceeds**—Expansion, product development and working capital. **Office**—1015 Jefferson Ave., Brooklyn, N. Y. **Underwriter**—S. Apfelbaum Co., 39 Broadway, N. Y.

● **Allo Precision Metals Engineering, Inc. (1/2-5)**
Oct. 3, 1961 ("Reg. A") 85,000 common. **Price**—$3. **Proceeds**—For debt repayment, equipment, and working capital. **Office**—Congressional Airport, Rockville, Md. **Underwriter** — Davis & Leach, Inc., Washington, D. C.

Almo Industrial Electronics Inc.
Nov. 27, 1961 filed 155,000 class A shares. **Price**—By amendment. **Business**—Wholesaler and distributor of electronic parts manufactured by others. **Proceeds**—For working capital. **Office** — 412 N. 6th St., Philadelphia. **Underwriters**—C .C. Collings & Co., Inc. and Harrison & Co., Philadelphia.

● **Alson Mfg. Co. (1/29-2/2)**
Aug. 28, 1961 ("Reg. A") 75,000 common. **Price**—$4. **Proceeds**—For equipment, repayment of loans and working capital. **Office**—2690 N. E. 191st St., Miami, Fla. **Underwriter**—Albion Securities Co., Inc., N. Y.

● **Aluma-Rail, Inc. (1/15-19)**
Sept. 28, 1961 ("Reg. A") 100,000 common. **Price**—$2.25. **Business**—Manufacture of new color anodized aluminum chain link fencing. **Proceeds**—For inventory and plant expansion. **Office**—44 Passaic Ave., Kearny, N. J. **Underwriter**—Amber, Burstein & Co., Inc., N. Y.

Alumatron International, Inc.
Nov. 13, 1961 filed 73,000 common. **Price**—$7. **Business**—Company plans to construct special type homes, and engage in the general contracting business. **Proceeds**—For general corporate purposes. **Office**—St. Petersburg, Fla. **Underwriters**—Wm. H. Tegtmeyer & Co., Chicago and B. C. Malloy, Inc., St. Petersburg.

Alyeska Ski Corp.
Oct. 12, 1961 ("Reg. A") 240,000 common. **Price**—$1.25. **Business** — Operation of ski facilities. **Proceeds** — For general corporate purposes. **Address**—P. O. Box 1882, Anchorage, Alaska. **Underwriter**—Paul Nichols Co., Inc., Anchorage, Alaska.

Amacorp Industrial Leasing Co., Inc.
Sept. 27, 1961 filed $3,000,000 of 6½% conv. subord. debentures due 1971. **Price**—By amendment. **Business**—Financing and lease of industrial and office equipment. **Proceeds**—Repay debt and increase working capital. **Office**—34 S. Stoneman Ave., Alhambra, Calif. **Underwriter**—McDonnell & Co., Inc., N. Y. **Offering**—Feb.

Amerel Mining Co. Ltd.
July 31, 1961 filed 400,000 common shares. **Price**—50 cents. **Business**—The company is engaged in exploration, development and mining. **Proceeds**—For diamond drilling, construction, exploration and general corporate expenses. **Office**—80 Richmond St., W., Toronto. **Underwriter**—E. A. Manning, Ltd., Toronto. **Offering**—Jan.

American Bolt & Screw Mfg. Corp.
Dec. 15, 1961 filed 150,000 common. **Price** — By amendment. **Business**—Manufacture of standard and special industrial aircraft and missile fasteners. **Proceeds**—For debt repayment, equipment and other corporate purposes. **Office**—Lawson Blvd., Oceanside, L. I., N. Y. **Underwriter**—S. D. Fuller & Co., N. Y.

American Book-Stratford Press, Inc. (1/29-2/2)
Oct. 27, 1961 filed 430,000 common. **Price**—By amendment. **Business**—Manufacture of hard-bound books for publishers. **Proceeds**—For selling stockholders. **Office**—75 Varick St., N. Y. **Underwriter**—Bear Stearns & Co., N. Y.

American Building Maintenance Industries (1/8-12)
Oct. 19, 1961 filed 141,000 capital shares, of which 30,000 shares are to be offered by the company and 111,000 shares by stockholders. **Price**—By amendment. **Business**—Providing of building maintenance services. **Proceeds**—For general corporate purposes. **Office**—335 Fell St., San Francisco. **Underwriters**—Carl M. Loeb, Rhoades & Co., N. Y. and Sutro & Co., San Francisco.

American Development Corp.
Nov. 29, 1961 filed 60,000 common. **Price**—$6. **Business**—Development and sale of vacant land. **Proceeds**—Debt repayment and other corporate purposes. **Office**—1068 Broad St., Newark, N. J. **Underwriter**—To be named.

★ **American Diversified, Inc.**
Dec. 21, 1961 filed 110,000 common. **Price**—$7.50. **Business**—A holding company whose three subsidiaries are a life insurance company, a broker-dealer-underwriter,

and a loan and finance company. **Proceeds**—For general corporate purposes. **Office**—930 Grant St., Denver. **Underwriter**—Nation-Wide Underwriters, Inc., Denver (a subsidiary).

American Finance Co., Inc. (1/9-12)
April 21, 1961 filed $500,000 of 6% convertible subordinated debentures due 1971; 75,000 shares of common stock, and 25,000 common stock purchase warrants to be offered for public sale in units consisting of one $200 debenture, 30 common shares and 10 warrants. **Price**—$500 per unit. **Business**—The company and its subsidiaries are primarily engaged in the automobile sale finance business. One additional subsidiary is a Maryland savings and loan association and two are automobile insurance brokers. **Proceeds**—For the retirement of debentures, and capital funds. **Office** — 1472 Broadway, N. Y. **Underwriter**—Myron A. Lomasney & Co., N. Y. **Note**—The SEC has instituted "stop order" proceedings challenging the accuracy and adequacy of this statement.

● American Financial Corp. (1/8-12)
Nov. 13, 1961 filed 150,000 common, of which 50,000 are to be offered by the company and 100,000 by stockholders. **Price**—By amendment. **Business**—The operation of three savings and loan associations, an equipment, automobile and truck leasing system and a general contracting business. **Proceeds**—For leasing program, to increase holdings in a subsidiary and for working capital. **Office**—3955 Montgomery Rd., Norwood, Ohio. **Underwriters**—Shearson, Hammill & Co., N. Y. and Westheimer & Co., Cincinnati.

★ American Management & Investment Corp.
Dec. 20, 1961 filed 500,000 7% non-cumulative convertible preferred. **Price**—$10. **Business**—A management investment company which plans to acquire firms in the insurance and finance fields. **Proceeds**—For general corporate purposes. **Office** — Warner Bldg., Washington, D. C. **Underwriter**—None.

● American Micro Devices, Inc. (1/15-19)
Aug. 2, 1961 filed 1,500,000 class A common shares. **Price** — $1.15. **Business**—The manufacture of electronic components. **Proceeds**—The purchase of equipment and materials, operational expenses, working capital and rewriter—Naftalin & Co., Inc., Minneapolis.

American Modular Manufacturing Corp.
Nov. 27, 1961 filed 200,000 common. **Price**—$2.50. **Business**—Manufacture of a type of component constructed home. **Proceeds**—For debt repayment, equipment, and working capital. **Office**—4950 71st Ave., North, Pinellas Park, Fla. **Underwriter**—Equity Securities Co., N. Y.

★ American Pioneer Life Insurance Co.
Dec. 20, 1961 filed 400,000 common. **Price**—$5.50. **Business**—Writes life insurance in Florida. **Proceeds** — For expansion and legal reserves. **Office**—307 S. Orange Ave., Orlando, Fla. **Underwriters**—Goodbody & Co., N. Y. and A. C. Allyn & Co., Chicago.

● American Realty & Petroleum Corp. (1/29-2/2)
Sept. 28, 1961 filed $2,000,000 of 6½% conv. subord. debentures due 1971. **Price**—At par. **Business**—Real estate and also the oil and gas business. **Proceeds**—For repayment of debt, sales and advertising, property improvements and possible acquisitions. **Office**—16 W. 61st St., N. Y. **Underwriter**—Troster, Singer & Co., N. Y.

● American Safety Equipment Corporation (1/8-12)
Sept. 28, 1961 filed 80,000 common. **Price**—$10. **Business**—Manufacture of safety seat belts. **Proceeds**—Inventory, machinery, and research. **Office**—261 Madison Ave., N. Y. **Underwriter**—Charles Plohn & Co., N. Y.

American Sports Plan, Inc.
June 29, 1961 filed 200,000 common shares. **Price**—$6. **Business**—The operation of bowling centers. **Proceeds**—For expansion. **Office**—473 Winter Street, Waltham, Mass. **Underwriter**—None.

Anaconda Real Estate Investment Trust
Oct. 3, 1961 filed 163,636 shares of beneficial interests. **Price**—$10. **Business**—Real estate investing. **Proceeds**—For purchase of real estate in Florida. **Office**—1776 E. Sunrise Blvd., Fort Lauderdale, Fla. **Underwriter**—None.

Anchor Alloys, Inc.
Oct. 27, 1961 ("Reg. A") 50,000 common. **Price**—$6. **Business**—Purifying, alloying, and fabricating metals as components for the semi-conductor industry. **Proceeds**—For general corporate purposes. **Office**—968 Meeker Ave., Brooklyn, N. Y. **Underwriters**—Charles Plohn & Co., B. W. Pizzini & Co., Inc. and Atlas Securities Corp., New York. **Offering**—Expected sometime in February.

Anchor Industries Corp.
Nov. 24, 1961 filed 38,500 common. **Price**—$8. **Business**—Design and fabrication of precision sheet metal products. **Proceeds**—For machinery research, sales promotion, and working capital. **Office**—26 Essex St., Hackensack, N. J. **Underwriter**—Amber, Burstein & Co., Inc., New York.

● Anoroc Products, Inc. (1/15-19)
Oct. 6, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Fabrication, manufacture and assembly of glass enclosures for bathtubs. **Proceeds**—For debt repayment and general corporate purposes. **Office**—181-14 Jamaica Ave., Jamaica, N. Y. **Underwriters**—G. Everett Parks & Co., Inc. and Parker Co., N. Y.

● Arizona Biochemical Co.
Nov. 14, 1961 filed 200,000 common. **Price**—$4. **Business**—Company plans to construct and operate refuse disposal plants. **Proceeds**—For general corporate purposes. **Office**—1001 N. Central Ave., Phoenix. **Underwriter**—Globus, Inc., N. Y. **Offering**—In late February.

● Arkwin Industries, Inc.
Nov. 28, 1961 filed 80,000 common, of which 25,000 are to be offered by the company and 55,000 by a selling stockholder. **Price**—$5. **Business**—Designs and manufactures precision hydraulic, pneumatic and fuel valves and control mechanisms for aircraft missiles, etc. **Proceeds**—For equipment and sales expansion. **Office**—648 Main St., Westbury, N. Y. **Underwriters**—Sterling, Grace & Co. and D. H. Blair & Co., N. Y. **Note**—This registration was indefinitely postponed.

Aronoff & Richling, Inc.
Nov. 27, 1961 filed 54,000 common. **Price**—By amendment. **Business** — Design and manufacture of women's junior sizes. **Proceeds**—For selling stockholders. **Office**—1400 B'way, N. Y. **Underwriter**—Carreau & Co., N. Y.

Artlin Mills, Inc. (1/15-19)
Sept. 28, 1961 filed 135,000 class A common shares. **Price**—$5. **Business**—The purchase, conversion, decoration, gift packaging and distribution of terrycloth towels and cotton pillow cases. **Proceeds**—For inventory, repayment of loans and working capital. **Office**—1030 Pearl St., Long Branch, N. J. **Underwriter**—Mortimer B. Burnside & Co., Inc., N. Y.

★ Arts & Crafts Materials Corp.
Dec. 20, 1961 filed 150,000 common, of which 100,000 are to be offered by the company and 50,000 by a selling stockholder. **Price**—By amendment. **Business**—Importing and sale of arts and crafts materials. **Proceeds**—For general corporate purposes. **Office**—321 Park Ave., Baltimore. **Underwriter**—Federman, Stonehill & Co., N. Y.

Arwood Corp. (2/13-16)
Nov. 21, 1961 filed 230,000 common, of which 110,000 are to be offered by the company and 120,000 by the stockholders. **Price**—By amendment. **Business**—Manufacture of custom made castings. **Proceeds**—For plant improvement. **Office**—321 W. 44th St., N. Y. **Underwriter**—Bear, Stearns & Co., N. Y.

Astro-Science Corp. (1/22-26)
Sept. 27, 1961 filed 232,500 common, of which 150,000 are to be offered by the company and 82,500 by stockholders. **Price**—By amendment. **Business**—Design and manufacture of ground systems and equipment for the support and servicing of electronic systems, aircraft and missiles. **Proceeds**—Repay debt and increase working capital. **Office**—9449 W. Jefferson Blvd., Culver City, Calif. **Underwriter**—W. C. Langley & Co., N. Y.

● Atlantic Capital Corp.
Aug. 29, 1961 filed 500,000 common. **Price**—$12.50. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office**—744 Broad St., Newark, N. J. **Underwriter**—Paine, Webber, Jackson & Curtis, N. Y. C. **Offering**—Expected sometime in Feb.

Atlanta Motor Lodges, Inc.
Oct. 30, 1961 filed 150,000 common. **Price**—$10. **Business**—Operation of motels. **Proceeds** — For expansion and working capital. **Office**—120 North Ave., N. W., Atlanta, Ga. **Underwriter** — The Robinson-Humphrey Co., Inc., Atlanta, Ga.

Atlas Electronics Inc. (1/15-19)
Sept. 28, 1961 filed 185,000 common. **Price**—$2.10. **Business**—Distribution of electronic components, parts and equipment. **Proceeds**—To repay debt, purchase inventory, and increase working capital. **Office**—774 Pfeiffer Blvd., Perth Amboy, N. J. **Underwriters**—Hay, Fales & Co. and McLaughlin, Kaufman & Co., N. Y.

Atlas Hotels, Inc.
Nov. 28, 1961 ("Reg. A") 30,000 common. **Price** — $10. **Business** — Operation of motor hotels. **Proceeds** — For working capital. **Office**—500 Hotel Circle, San Diego. **Underwriter**—J. A. Hogle & Co., Salt Lake City.

● Atmospheric Controls, Inc. (1/29-2/2)
Aug. 22, 1961 ("Reg. A") 40,000 common. **Price**—$3.50 **Proceeds** — For repayment of loans, acquisition and working capital. **Office**—715 N. Fayette St., Alexandria, Va. **Underwriter**—First Investment Planning Co., Washington, D. C.

Ausco, Inc. (1/8-12)
Oct. 12, 1961 filed 110,000 common. **Price**—$3. **Business**—Design, development, and manufacture of high pressure aircraft and missile valves. **Proceeds**—For engineering, product development, inventories, advertising, expansion and working capital. **Office**—17 W. 60th St., N. Y. **Underwriter**—Pearson, Murphy & Co., Inc., N. Y.

Austin Continental Industries, Inc. (2/13-16)
Nov. 14, 1961 filed 103,000 common. **Price**—$7. **Business**—Manufacture of specifications of aircraft, guided missiles and electronic components, and fastening devices. **Proceeds**—For debt repayment and a new product. **Office**—4873 W. Armitage Ave., Chicago. **Underwriter**—Raymond Moore & Co., Los Angeles.

Authenticolor, Inc. (1/8-12)
Aug. 29, 1961 filed 148,200 common, of which 136,800 are to be offered by the company and 11,400 by stockholders. **Price**—$3.25. **Business** — Furnishing of photographic service for the professional market. **Proceeds**—Working capital and repayment of loans. **Office**—525 Lexington Ave., N. Y. **Underwriter**—General Economics Corp., N. Y.

Automated Teaching Systems, Inc.
Sept. 18, 1961 ("Reg. A") 30,000 common. **Price**—$10 **Business**—Manufacture of self-instructional materials and devices. **Proceeds**—For equipment, research and development and other corporate purposes. **Office**—1 W. 58th St., N. Y. **Underwriter**—Arthur J. Rosenwasser Co., 95 Broad St., N. Y.

Automatic Marker Photo Corp.
Dec. 1, 1961 filed 150,000 class A shares, of which 125,000 are to be offered by the company and 25,000 by stockholders. **Price**—By amendment. **Business**—Sale and distribution of a photocopy machine and supplies. **Proceeds**—For equipment, expansion, and working capital. **Office**—153 W. 36th St., N. Y. **Underwriter**—None.

Babs, Inc.
Nov. 27, 1961 filed 150,000 common. **Price**—$4. **Business**—Sale of dairy products, through "Dairy Drive-ins." **Proceeds**—For debt repayment and working capital. **Office**—32550 Pulaski Dr., Hayward, Calif. **Underwriter**—Pacific Coast Securities Co., San Francisco. **Offering**—Expected in late February.

● Bacharach Industrial Instrument Co. (1/29-2/2)
Nov. 15, 1961 filed 60,000 common. **Price**—By amendment. **Business**—Development and manufacture of chemical, electrical and mechanical instruments, precision products and special purpose tools. **Proceeds**—For selling stockholders. **Office**—200 N. Braddock Ave., Pittsburgh. **Underwriter**—Arthurs, Lestrange & Co., Pittsburgh.

Bal Harbour Diagnostic Service, Inc.
Oct. 18, 1961 filed 2,000,000 common. **Price**—$1. **Business**—Company will operate a medical examination center. **Proceeds**—For a hotel acquisition and working capital. **Office**—10101 Collins Ave., Bal Harbour, Fla. **Underwriter**—J. R. Holt & Co., Denver.

● Barish Associates, Inc.
Sept. 1, 1961 ("Reg. A") 50,000 common. **Price**—$4. **Business**—Aeronautical research and development. **Proceeds**—For working capital. **Office**—224 E. 38th St., N. Y. **Underwriter**—Gianis & Co., N. Y.

Barren River Petroleum Corp.
Oct. 23, 1961 ("Reg. A") 200,000 class B common and 100,000 class A common to be offered in units consisting of one class A and two class B shares. **Price**—$3, per unit. **Business**—Production, refining and marketing of oil and gas. **Proceeds**—For debt repayment and other corporate purposes. **Office**—8 E. Charleston Blvd., Las Vegas, Nev. **Underwriter**—John A. Oja & Associates, Las Vegas, Nev.

Barry (R. G.) Corp. (1/8-12)
Sept. 21, 1961 filed 100,000 common. **Price**—$5. **Business**—Manufacture of slippers, robes, cushions, pillows, auto-seat covers, and other specialty items. **Proceeds**—To repay debt, increase inventory and for other corporate purposes. **Office**—78 E. Chestnut St., Columbus, Ohio. **Underwriter**—Arnold Malkan & Co., N. Y.

★ Basic Inc.
Dec. 27, 1961 filed 70,000 cumulative convertible preference shares (par $50). **Price**—By amendment. **Business**—The production of basic granular and brick refractory materials. **Proceeds**—For plant expansion. **Office**—845 Hanna Bldg., Cleveland. **Underwriter** — First Boston Corp., N. Y.

Bay State Electronics Corp. (1/29-2/2)
Oct. 27, 1961 filed 160,000 common. **Price**—By amendment. **Business**—Development of products and techniques for use in the fields of oceanography, meteorology, seismology and ionospheric phenomena. **Proceeds**—For product development and working capital. **Office**—43 Leon St., Boston. **Underwriter**—S. D. Fuller & Co., New York.

Bechtold Engineering Co.
Nov. 30, 1961 filed 135,000 common, of which 95,000 are to be offered by the company and 40,000 by a selling stockholder. **Price**—By amendment. **Business**—Manufacture of specially designed thermosetting plastic fabricating machinery. **Proceeds**—For debt repayment and other corporate purposes. **Office**—631 N. E. 45th St., Fort Lauderdale, Fla. **Underwriter**—Roman & Johnson, Fort Lauderdale, Fla.

Bel-Aire Products, Inc.
Sept. 22, 1961 ("Reg. A") 75,000 common. **Price**—$4. **Business**—Manufacture of aluminum pontoon boats. **Office**—25970 W. Eight Mile Rd., Southfield, Mich. **Underwriter**—Ehrlich, Irwin & Co., Inc., N. Y. **Offering**—Imminent.

★ Bell Electronic Corp.
Dec. 20, 1961 filed $1,250,000 of convertible subordinated debentures due 1977; also 75,000 common shares. **Price**—For debentures: At par. For stock: By amendment. **Business**—A distributor of electronic parts and equipment manufactured by others. **Proceeds**—For debt repayment and other corporate purposes. **Office**—306 E. Aldondra Blvd., Garden, Calif. **Underwriters**—Mitchum, Jones & Templeton, Los Angeles and Walston & Co., N. Y.

Benjamin (W. A.), Inc.
Nov. 15, 1961 filed 50,000 common. **Price**—By amendment. **Business**—Publication of scientific texts and reference books. **Proceeds**—For working capital. **Office**—2465 Broadway, N. Y. **Underwriter**—None.

Berkshire Distributors, Inc. (1/22-26)
Sept. 14, 1961 filed 100,000 common, of which 60,000 will be sold for the company and 40,000 for certain stockholders. **Price**—By amendment. **Business**—The operation of eight discount type department stores in four states. **Proceeds**—For the repayment of debt, and working capital. **Office**—203 Ann St., Hartford, Conn. **Underwriter**—May & Gannon, Boston.

● Bernalen, Inc.
Nov. 20, 1961 filed 60,000 common. **Price**—$2.625. **Business**—Design and manufacture of photographic processing and control equipment. **Proceeds**—For general corporate purposes. **Office**—9821 Foster Ave., Brooklyn, N. Y. **Underwriter**—Amber, Burstein & Co., Inc., N. Y. **Note**—This registration was withdrawn.

Berne of California, Inc. (1/15-19)
Oct. 27, 1961 ("Reg. A") 85,000 common. **Price**—$3. **Business** — Manufacture of handbags and related items. **Proceeds**—For debt repayment and working capital. **Office**—1621 S. San Pedro St., Los Angeles. **Underwriter**—Pacific Coast Securities Co., San Francisco.

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Bernz (Otto) Co., Inc. (1/16-19)
Oct. 16, 1961 filed 150,000 class A shares, of which 100,000 are to be offered by the company and 50,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of small propane-filled steel cylinders, garden sprinklers and hose accessories. **Proceeds**—For debt repayment and general corporate purposes. **Office**—740 Driving Park Ave., Rochester, N. Y. **Underwriter**—Reynolds & Co., Inc., N. Y.

Besco Enterprises, Inc.
Oct. 27, 1961 filed 150,000 capital shares. **Price**—By amendment. **Business**—A holding company whose subsidiaries operate jewelry and photography departments in discount department stores. **Proceeds**—For debt repayment and expansion. **Office**—1328 Washington St., Oakland, Calif. **Underwriters**—Kleiner, Bell & Co., Beverly Hills, Calif. and Rittmaster, Voisin & Co., N. Y.

Best Plastics Corp. (1/22-26)
Sept. 26, 1961 filed 125,000 common, of which 100,000 will be sold by the company and 25,000 by stockholders. **Price**—$3. **Business**—Manufacture of plastic novelties and party favors. **Proceeds**—New plant and equipment and working capital. **Office**—945 39th St., Brooklyn, N. Y. **Underwriter**—S. B. Cantor & Co., N. Y.

● **Blackman-Uhler Chemical Co.**
Dec. 5, 1961 ("Reg. A") 5,600 common. **Price** — $8.875. **Business**—Manufacture of napthols, pigments, tints and intermediates. **Proceeds**—For selling stockholders. **Address**—Spartanburg, S. C. **Underwriter**—Dargan & Co., Spartanburg, S. C. **Offering**—Imminent.

Bloch Brothers Tobacco Co.
July 3, 1961 ("Reg. A") 4,000 common shares (par $12.50). **Price**—By amendment. **Proceeds**—For the selling stockholders. **Office**—4000 Water St., Wheeling, W. Va. **Underwriter**—Fulton, Reid & Co., Inc., Cleveland. **Offering**—Expected sometime in February.

● **Block (H. R.), Inc. (1/15-19)**
Nov. 16, 1961 ("Reg. A") 75,000 common, of which 25,000 shares are to be offered by the company and 50,000 shares by selling stockholders. **Price**—$4. **Business**—Preparation of Federal and State income tax returns. **Proceeds**—For working capital. **Office**—3937 Main St., Kansas City, Mo. **Underwriter**—George K. Baum & Co., Kansas City.

Blue Haven Pools (1/15-19)
Nov. 1, 1961 ("Reg. A") 75,000 capital shares, of which 40,000 are to be offered by the company and 35,000 by stockholders. **Price**—$4. **Business**—Design, construction and installation of swimming pools and equipment. **Proceeds**—For debt repayment and general corporate purposes. **Office**—11933 Vose St., North Hollywood, Calif. **Underwriter**—Pacific Coast Securities Co., San Francisco.

Bolar Pharmaceutical Co. Inc. (1/8-12)
Oct. 18, 1961 ("Reg. A") 50,000 class A common. **Price**—$2. **Business**—Compounds, manufactures and packages private label drugs and vitamins. **Proceeds**—For an acquisition and equipment. **Office**—54 McKibben St., Brooklyn, N. Y. **Underwriter**—Natale, Miller & Co., Inc., New York.

● **Boro Electronics, Inc. (1/2-5)**
Aug. 30, 1961 ("Reg. A") 100,000 common. **Price**— $3. **Business**—The distribution of electronic products manufactured by others. **Proceeds**—For inventory, equipment, advertising, promotion, working capital and repayment of loans. **Office**—69-18 Roosevelt Ave., Woodside, N. Y. **Underwriter** — McLaughlin, Kaufman & Co., N. Y.

Boston Pneumatics, Inc.
Nov. 13, 1961 ("Reg. A") 93,500 class A shares of which 85,000 will be sold for the company and 8,500 for the underwriter. **Price**—$2. **Business**—Fabrication, assembly and sale of tools powered by compressed air. **Proceeds**—For debt repayment and working capital. **Office**—365 Arlington Ave., Brooklyn 8, N. Y. **Underwriter**—T. M. Kirsch Co., Inc., N. Y.

Bowey's, Inc.
Oct. 30, 1961 filed 80,000 common, of which 40,000 are to be offered by the company and 40,000 by a stockholder. **Price**—By amendment. **Business**—Manufactures, processes and supplies powders, syrups, flavorings, etc., to food industry. **Proceeds**—For repayment of debt and working capital. **Office**—679 N. Orleans St., Chicago, Ill. **Underwriter** — Cruttenden, Podesta & Co., Chicago. **Offering**—Expected sometime in late January.

Bowling Internazionale, Ltd.
June 30, 1961 filed 200,000 common shares. **Price**—$5. **Proceeds**—For the construction or acquisition of a chain of bowling centers principally in Italy, and for expansion and working capital. **Office**—80 Wall St., New York. **Underwriter**—P. J. Gruber & Co., Inc., N. Y.

Brentwood Financial Corp.
Dec. 13, 1961 filed 150,000 common, of which 30,000 are to be offered by the company and 120,000 by the stockholders. **Price**—By amendment. **Business**—A holding company for a savings and loan association. **Proceeds**—For acquisition of two insurance agencies and expansion. **Office** — 12001 San Vincente Blvd., Los Angeles. **Underwriter**—Hayden, Stone & Co., N. Y.

Bridge Electronics Co., Inc. (2/26-3/2)
Nov. 29, 1961 filed 225,000 common, of which 200,000 are to be offered by the company, and 25,000 by the stockholders. **Price**—$4. **Business**—Design and manufacture of electronic equipment and communication systems. **Proceeds**—For general corporate purposes. **Office**—201 Laurel St., Beverly, N. J. **Underwriters**—Roth & Co., Inc., Philadelphia and Amos Treat & Co., Inc., N. Y.

Browning Arms Co. (1/29-2/2)
Nov. 27, 1961 filed 368,700 common, of which 150,000 are to be offered by the company and 218,700 by the stockholders. **Price**—By amendment. **Business**—Development, importation and distribution of sporting firearms. **Proceeds**—For construction and general corporate purposes. **Office** — First Security Bank Bldg., Ogden, Utah. **Underwriter**—Harriman Ripley & Co., Inc., N. Y.

● **Building Ventures, Inc. (1/8-12)**
Oct. 27, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Real estate. **Proceeds**—For working capital. **Office**—309 Main St., Islip, N. Y. **Underwriter**—Albion Securities Co. Inc., N. Y.

Burnham & Morrill Co.
Oct. 25, 1961 filed 187,250 common. **Price**—By amendment. **Business** — Manufacture of canned foods, frozen dinners and baked beans. **Proceeds**—For selling stockholders. **Office**—45 Water St., Portland, Me. **Underwriter**—Hornblower & Weeks, N. Y. **Offering**—In January.

Burros Corp.
Oct. 30, 1961 filed 70,000 common, of which 40,000 are to be offered by the company and 30,000 by stockholders. **Price**—By amendment. **Business**—Designs, manufactures, imports and distributes artificial flowers. **Proceeds**—For repayment of debt and general corporate purposes. **Office**—111 W. 19th St., N. Y. **Underwriter**—Rodetsky, Walker & Co., Inc., N. Y. **Offering**—In early March.

Burton Mount Corp. (2/5-9)
Sept. 22, 1961 filed 100,000 common. **Price**—$6. **Business**—Importation and distribution of copying machines and supplies. **Proceeds**—Repayment of debt, inventory, sales promotion and other corporate purposes. **Office**—2147 Jericho Turnpike, New Hyde Park, N. Y. **Underwriter**—Reiner, Linburn & Co., N. Y.

Bush Terminal Co. (1/15-19)
Nov. 7, 1961 filed 92,320 common to be offered to stockholders on a 1-for-10 basis. **Price**—By amendment. **Business**—Operation of warehouses, manufacturing buildings, piers and railroad facilities. **Proceeds**—For working capital. **Office**—48 43rd St., Brooklyn, N. Y. **Underwriter**—None.

Business Growth Funding Corp.
Sept. 20, 1961 filed 100,000 common. **Price**—$4. **Business**—Making of loans to small business concerns, purchase of machinery for lease, and the providing of management counseling. **Proceeds**—For working capital. **Office**—527 Lexington Ave., N. Y. **Underwriter**—Morton Klein & Co., Inc., N. Y.

Cable Carriers, Inc. (1/3-5)
March 23, 1961 filed 196,109 shares of capital stock. **Price**—$1.15. **Business**—The company which began operations in 1954, is engaged in the research and development of special material handling systems for industrial and commercial use based on company-owned patents. **Proceeds**—For working capital. **Office**—Kirk Boulevard, Greenville, S. C. **Underwriter**—Capital Securities Corp., Greenville, S. C.

● **Cadillac Conduit Corp.**
Nov. 30, 1961 ("Reg. A") 45,583 common. **Price**—$6. **Business**—Manufacturer of flexible steel tubing, cables and conduits to enclose electrical wires. **Proceeds**—For working capital. **Office**—19 Warren Pl., Mt. Vernon, N. Y. **Underwriter**—J. B. Coburn Associates, Inc., N. Y. **Offering**—Expected in late March.

Caldwell Publishing Corp. (1/22-26)
Oct. 27, 1961 filed 137,500 capital shares. **Price**—$5. **Business**—Publishing of text books and general educational works. **Proceeds**—For general corporate purposes. **Office**—339 W. 51st St., N. Y. **Underwriter**—S. B. Cantor Co., N. Y.

Cambridge Fund of California, Inc.
Sept. 28, 1961 filed 280,000 common. **Price**—By amendment. **Business**—General real estate. **Proceeds**—Debt repayment and working capital. **Office**—324 E. Bixby Rd., Long Beach, Calif. **Underwriter**—To be named. **Offering**—Expected sometime in January.

Campbell-Lurie Plastics, Inc.
Oct. 27, 1961 filed 574,250 common, of which 500,000 are to be offered by the company and 74,250 by a stockholder. **Price**—$2.50. **Business**—Company is engaged in the plastic business as a converter of raw materials. **Proceeds**—For debt repayment and working capital. **Office**—5440 Highway Ave., Jacksonville, Fla. **Underwriter**—Florida Growth Securities, Inc., Jacksonville.

Campbell Soup Co. (1/9)
Dec. 7, 1961 filed 91,000 capital shares. **Price**—By amendment. **Business**—Manufacture of canned soups, spaghetti, juices, etc. **Proceeds** — For selling stockholders. **Office**—375 Memorial Ave., Camden, N. J. **Underwriters**—First Boston Corp., and Merrill Lynch, Pierce, Fenner & Smith Inc., N. Y.

Campus Casuals of California (1/15-19)
Oct. 11, 1961 filed 140,000 common. **Price**—By amendment. **Business**—Manufactures ladies' apparel. **Proceeds**—For selling stockholders. **Office**—719 S. Los Angeles St., Los Angeles, Calif. **Underwriter**—William R. Staats & Co., Los Angeles.

Canbowl Centers Ltd.
Aug. 4, 1961 filed 131,500 common shares to be offered for subscription by stockholders of American Bowling Enterprises, Inc., parent company, on the basis of one share for each four American shares held. **Price**—$5.50. **Business**—The operation of bowling centers. **Proceeds**—For working capital and the construction and operation of bowling centers. **Office**—100 Wilder Bldg., Rochester, N. Y. **Underwriter**—None. **Offering**—Expected in the spring of 1962.

Capitol Research Industries, Inc.
June 28, 1961 filed 165,000 common shares and 75,000 common stock purchase warrants. **Price**—For stock, $2; for warrants, 20 cents. **Business**—The manufacture of X-ray film processing machines. **Proceeds**—For repayment of loans and working capital. **Office**—4206 Wheeler Ave., Alexandria, Va. **Underwriter**—None. **Offering**—Expected in late January.

Card Key Systems, Inc.
July 28, 1961 ("Reg. A") 60,000 common shares (no par). **Price** — $5. **Proceeds** — For research and development, advertising equipment and working capital. **Office**—923 S. San Fernando Boulevard, Burbank, Calif. **Underwriter** — Rutner, Jackson & Gray, Inc., Los Angeles. **Offering**—Expected in early February.

Caribbean Cement Co., Ltd.
Oct. 18, 1961 filed 272,000 American Depositary Shares, each share representing one ordinary share. **Price**—By amendment. **Business**—Manufacture of cement. **Proceeds**—For selling stockholders. **Office**—Kingston, Jamaica. **Underwriter**—Paribas Corp., N. Y.

Caribbean Shoe Corp.
Oct. 18, 1961 filed 149,794 common, of which 146,667 will be sold by the company and 3,127 by a stockholder. **Price**—$6. **Business**—Design, manufacture and distribution of custom made shoes for women. **Proceeds**—General corporate purposes. **Office** — 253 S. W. 8th St., Miami, Fla. **Underwriter**—Robert L. Ferman & Co., Inc., Miami. **Offering**—Expected sometime in January.

Carmer Industries, Inc. (2/26-3/2)
Nov. 28, 1961 filed 185,000 common, of which 135,000 are to be offered by the company and 50,000 by a stockholder. **Business**—Conversion of raw plastics to basic shapes such as rods, tubes and sheets. **Proceeds**—For a new plant, repayment of debt, and working capital. **Office**—22 N. 26th St., Kenilworth, N. J. **Underwriter**—Godfrey, Hamilton, Taylor & Co., Inc., N. Y.

Carolinas Capital Corp.
Nov. 22, 1961 filed 500,000 common. **Price**—$10. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office**—1200 North Carolina National Bank Bldg., Charlotte, N. C. **Underwriter**—R. S. Dickson & Co., Charlotte.

Casavan Industries, Inc.
Aug. 21, 1961 filed 350,000 capital shares. **Price** — $7. **Business**—Production of plastics, marble and ceramics for the packaging and building indsutries. **Proceeds**—For expansion, leasehold improvements, repayment of loans and other corporate purposes. **Office**—250 Vreeland Ave., Paterson, N. J. **Underwriter**—Foundation Securities, Inc., N. Y.

Cavalier Radio & Electronics Corp. (1/22-26)
Oct. 27, 1961 ("Reg. A")60,000 common. **Price**—$5. **Business** — Manufacture of specialized raidos and phonographs. **Proceeds**—New products, equipment and working capital. **Office**—66-02 Austin St., Forest Hills, N. Y. **Underwriter**—General Securities Co., Inc., N. Y.

Ceco Steel Products Corp.
Nov. 13, 1961 filed 18,000 common. **Price**—By amendment. **Business**—Manufacture of products for the construction industry. **Proceeds**—For selling stockholders. **Office**—5601 W. 26th St., Chicago. **Underwriter**—Hornblower & Weeks, N. Y. **Offering**—Expected in January.

● **Central Acceptance Corp. of Delaware (1/29-2/2)**
Nov. 29, 1961 filed 150,000 class A common. **Price**—$5. **Business**—A sales finance company. **Proceeds**—For expansion. **Office**—526 North Ave. East, Westfield, N. J. **Underwriter**—Armstrong & Co., Inc., N. Y.

Central American Mining & Oil, Inc.
Oct. 30, 1961 filed 494,250 common. **Price**—$5. **Business**—Exploration for oil, gas and other minerals. **Proceeds**—For general corporate purposes. **Office**—Edificio Banco Atlantida, Tegucigalpa, D. C., Honduras. **Underwriter**—None.

● **Century Brick Corp. of America (1/29-2/2)**
Nov. 9, 1961 ("Reg. A") 75,000 common. **Price**—$4. **Business**—Company has developed a process for producing simulated brick facing for buildings. **Proceeds**—For general corporate purposes. **Office**—4506 W. 12th St., Erie, Pa. **Underwriter**—Sandkuhl & Co., Inc., N. Y.

Certified Industries, Inc. (1/22-26)
Sept. 28, 1961 filed $750,000 of 6% convertible subordinated debentures due 1976 with attached warrants to purchase 15,000 class A shares to be offered in units (of one $250 debenture and a warrant to purchase 5 shares) for subscription by holders of class A and class B shares at the rate of one unit for each 50 shares held. **Price**—$250 per unit. **Business**—Production of concrete for construction purposes. **Proceeds**—For expansion, equipment and working capital. **Office**—344 Duffy Ave., Hicksville, N. Y. **Underwriter**—Singer, Bean & Mackie, Inc., N. Y.

Chester Electronic Laboratories, Inc. (1/4)
Sept. 27, 1961 filed 100,000 common. **Price**—By amendment. **Business**—Manufacture of electronic teaching equipment. **Proceeds**—For acquisition of a plant and equipment, debt repayment, new products and working capital. **Address**—Chester, Conn. **Underwriter**—Putnam & Co., Hartford. **Offering**—Expected in December.

Chestnut Hill Industries, Inc.
Nov. 29, 1961 filed 300,000 class A common, of which 225,000 are to be offered by the company and 75,000 by stockholders. **Price**—$7.50. **Business**—Design and manufacture of women's, misses' and junior sportswear, coordinates, and dresses. **Proceeds**—For debt repayment, equipment and working capital. **Office**—2025 McKinley St., Hollywood, Fla. **Underwriter** — Clayton Securities Corp., Boston, Mass.

Church Builders, Inc.
Feb. 6, 1961 filed 50,000 shares of common stock, series 2. **Price**—$5.50 per share. **Business**—A closed-end diversified management investment company. **Proceeds**—For investment. **Office**—501 Bailey Ave., Fort Worth, Tex. **Distributor**—Associates Management, Inc., Fort Worth. **Offering**—Expected in late February.

Cinema Studios Inc.
Dec. 14, 1961 ("Reg. A") 75,000 capital shares. **Price**—$1. **Business**—Production of motion pictures. **Proceeds**—For working capital. **Office**—309 Ainsley Bldg., Miami, Fla. **Underwriter**—Dalen Investments & Funds, Inc., Miami.

● Cineque Colorfilm Laboratories, Inc. (1/15-19)
Aug. 29, 1961 ("Reg. A") 120,000 common. **Price**—$2.50. **Business**—The production of slides and color film strips. **Proceeds**—For equipment, sales promotion and advertising. **Office**—424 E. 89th St., N. Y. **Underwriter**—Paul Eisenberg Co., N. Y.

Citizens Life Ins. Co. of New York (1/8-12)
Sept. 8, 1961 filed 147,000 common, of which 100,000 will be sold by the company and 47,000 by a stockholder. **Price**—By amendment. **Business**—The writing of ordinary life, group life and group credit life insurance. **Proceeds**—For investment in income producing securities. **Office**—33 Maiden Lane, N. Y. **Underwriter**—A. G. Becker & Co., N. Y. (mgr.).

★ City Finance Co., Inc.
Dec. 21, 1961 filed 110,000 common. **Price**—By amendment. **Business**—Engaged in the consumer loan and finance buisness in Maryland. **Proceeds**—For general corporate purposes. **Office**—307 N. Eutaw St., Baltimore. **Underwriter**—Stein Bros. & Boyce, Baltimore.

Civic Center Redevelopment Corp.
Nov. 13, 1961 filed $21,780,000 of income debentures due 1995 and 220,000 common shares to be offered in units consisting of 1% of stock and 99% of debentures. **Price**—By amendment. **Business**—Company was formed for the purpose of revitalizing downtown St. Louis. **Proceeds**—For acquisition of land, construction of a stadium and related facilities. **Office**—407 N. 8th St., St. Louis. **Underwriter**—None.

Clute (Francis H.) & Son, Inc.
July 3, 1961 filed 1,000,000 common shares. **Price**—$1.50 **Business** — The manufacture of farm and industrial equipment. **Proceeds**—For materials and inventory, research and development and working capital. **Office**—1303 Elm St., Rocky Ford, Colo. **Underwriter** — Stone, Altman & Co., Inc., Denver. **Offering**—In late January.

Coastal Acceptance Corp.
Dec. 11, 1961 filed 80,000 class A common, of which 68,000 are to be offered by the company and 12,000 by stockholders. **Price**—$12.50. **Business**—A small loan finance company. **Proceeds**—For debt repayment. **Office**—36 Lowell St., Manchester, N. H. **Underwriter**—Eastern Investment Corp., Manchester, N. H.

Colby (Jane), Inc.
Oct. 19, 1961 filed 105,000 common, of which 50,000 shares are to be offered by the company and 55,000 shares by stockholders. **Price**—$10. **Business**—Manufacture of women's apparel. **Proceeds**—For general corporate purposes. **Office**—113 Fourth Ave., N. Y. **Underwriter**—Meade & Co., N. Y. **Offering**—Expected in Jan.

● Cole Vending Industries, Inc. (1/15-19)
Aug. 28, 1961 filed 115,000 common. **Price**—$5. **Business**—The manufacture, sale and servicing of vending machines. **Proceeds**—For working capital. **Office**—560 W. Lake St., Chicago. **Underwriter**—Straus, Blosser & McDowell, Chicago (mgr.).

● Coleco Industries, Inc. (1/8-12)
Sept. 26, 1961 filed 120,000 common, of which 12,000 shares will be offered by the company and 108,000 by stockholders. **Price**—By amendment. **Business**—Manufactures plastic toys, play pools, toy boats and houses, and games. **Proceeds**—For plant expansion and working capital. **Office**—75-77 Windsor St., Hartford, Conn. **Underwriter**—Cooley & Co., Hartford, Conn.

Columbus Plastic Products, Inc.
Nov. 22, 1961 filed 163,600 common, of which 100,000 are to be offered by the company and 63,600 by stockholders. **Price**—By amendment. **Business**—Design and manufacture of injection and blow molded plastic housewares. **Proceeds**—To purchase machinery, expand facilities, repay debt, and increase working capital. **Office**—1625 W. Mound St., Columbus, O. **Underwriter**—W. E. Hutton & Co., Cincinnati.

Commonwealth Realty Trust (1/15-19)
Nov. 22, 1961 filed 430,556 shares. **Price**—$10. **Business**—A real estate investment trust. **Proceeds**—For general corporate purposes. **Office**—8201 Fenton Road, Philadelphia. **Underwriters**—Woodcock, Moyer, Fricke & French, Inc., and Gerstley, Sunstein & Co., Philadelphia.

Community Charge Plan (1/3-5)
Sept. 22, 1961 filed $3,600,000 of 6% subordinated debentures due 1976 (with attached warrants to purchase 72,000 common shares) and 216,000 common, to be offered in units consisting of a $100 debenture (and a warrant to purchase two shares) and six common shares. **Price**—By amendment. **Business**—The purchase at a discount from merchant-members, their accounts receivable arising from customers who hold credit cards issued by these members. **Proceeds**—To repay debt and increase working capital. **Office**—10 Banta Place, Hackensack, N. J. **Underwriter**—Troster, Singer & Co., N. Y.

Computer Components, Inc.
Dec. 6, 1961 filed 120,000 common, of which 90,000 are to be offered by the company and 30,000 by stockholders. **Price**—$3. **Business** — Manufacture of miniature coils for relays used in computers, aircraft, missiles and guidance systems. **Proceeds**—For general corporate purposes. **Office**—88-06 Van Wyck Expressway, Jamaica, N. Y. **Underwriter**—Jay W. Kaufmann & Co., N. Y.

Computron Corp. (1/8-12)
Sept. 15, 1961 filed 500,000 common. **Price**—$1.15. **Business**—Research, development, design and production of electronic automation devices. **Proceeds**—For equipment, research and development and working capital. **Office**—

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NEW ISSUE CALENDAR

January 2 (Tuesday)

Allo Precision Metals Engineering, Inc.___Common
(Davis & Leach, Inc.) $255,000
Boro Electronics, Inc.___Common
(McLaughlin, Kaufman & Co.) $300,000
Consolidated Aerosol Corp.___Common
(J. E. Bayard & Co., Inc.) $210,000
Coronet Products Co.___Common
(George K. Baum & Co.) $250,000
EMAC Data Processing Corp.___Common
(M. W. Janis Co., Inc.) $250,000
Fleetwood Securities Corp. of America___Common
(General Securities Co., Inc.) $700,000
Mann Research Laboratories, Inc.___Common
(L. D. Sherman & Co.) $300,000
Nationwide Bowling Corp.___Capital
(Warner, Jennings, Mandel & Longstreth) 100,000 shares
New West Land Corp.___Common
(Barrett, Fitch, North & Co.) $300,000
Ozon Products, Inc.___Common
(Carter, Berlind, Potoma & Weill) 105,000 shares
Rapid-Film Technique, Inc.___Common
(Herbert Young & Co., Inc.) $280,000
S. O. S. Photo-Cine-Optics, Inc.___Units
(William, David & Motti, Inc.) $200,000
Sell 'N Serv Dispensers, Inc.___Common
(Goldsmith, Heiken & Co., Inc.) $300,000
Sierra Capital Co.___Capital
(C. E. Unterberg, Towbin Co.) 1,000,000 shares
Southern Frontier Finance Co.___Units
(J. C. Wheat & Co.) 10,000 units
Struthers Scientific & International Corp.___Com.
(Hirsch & Co., Inc.) 150,000 shares
Swift Homes, Inc.___Common
(Eastman Dillon, Union Securities & Co.) 240,000 shares
Virginia Dare Stores Corp.___Common
(Lehman Brothers) 154,000 shares

January 3 (Wednesday)

Cable Carriers, Inc.___Capital
(Capital Securities Corp.) $225,525
Community Charge Plan___Units
(Troster, Singer & Co.) 36,000 units
David's Inc.___Common
(Quinn & Co.; A. G. Edwards & Sons; Peters, Writer & Christensen, Inc.; Midland Securities Co., Inc. and Dempsey-Tegeler & Co.) $300,000
Semicon, Inc.___Class A Common
(S. D. Fuller & Co.) $500,000
Southern Growth Industries, Inc.___Common
(Capital Securities Corp.) $600,000
Super Valu Stores, Inc.___Common
(White, Weld & Co., Inc. and J. M. Dain & Co., Inc.) 115,000 shares
Varicraft Industries, Inc.___Common
(Mayo & Co., Inc.) $270,000

January 4 (Thursday)

Chester Electronic Laboratories, Inc.___Common
(Putnam & Co.) 100,000 shares
Missile Systems Corp.___Common
(George, O'Neill & Co., Inc.) 148,125 shares
Standard & Poor's Corp.___Common
(Smith, Barney & Co.) 261,866 shares
Susan Crane Packaging, Inc.___Common
(C. E. Unterberg, Towbin Co.) 150,000 shares

January 5 (Friday)

All Star World Wide, Inc.___Debentures
(Alessandrini & Co., Inc. and Hardy & Hardy) $250,000
All Star World Wide, Inc.___Common
(Alessandrini & Co., Inc. and Hardy & Hardy) $750,000
Koster-Dana Corp.___Common
(Gianis & Co.) $350,000

January 8 (Monday)

Accto Chemical Co., Inc.___Common
(Karen Securities Corp.) $440,000
Agency Tile Industries, Inc.___Common
(International Services Corp.) $300,000
Albert Voigt Industries, Inc.___Common
(David Barnes & Co., Inc.) $320,000
All-State Auto Rental Corp.___Common
(No underwriting) $200,000
American Building Maintenance Industries___Cap.
(Carl M. Loeb, Rhoades & Co. and Sutro & Co.) 141,000 shares
American Financial Corp.___Common
(Shearson, Hammill & Co. and Westheimer & Co.) 150,000 shares
American Safety Equipment Corp.___Common
(Charles Plohn & Co.) $800,000
Ausco, Inc.___Common
(Pearson, Murphy & Co., Inc.) $330,000
Authenticolor Inc.___Common
(General Economics Corp.) 148,200 shares
Barry (R. G.) Corp.___Common
(Arnold Malkan & Co.) $500,000
Bolar Pharmaceutical Co., Inc.___Common
(Natale, Miller & Co., Inc.) $100,000
Building Ventures, Inc.___Common
(Albion Securities Co., Inc.) $300,000
Citizens Life Insurance Co. of New York___Common
(A. G. Becker & Co.) 147,000 shares
Coleco Industries, Inc.___Common
(Cooley & Co.) 120,000 shares
Computron Corp.___Common
(Brandtjen & Bayliss, Inc.) $575,000
Corrigan Communications, Inc.___Common
(D. E. Liederman & Co., Inc. and Mitchum, Jones & Templeton) $750,000
Dale Systems, Inc.___Common
(Theodore Arrin & Co., Inc.) $325,000
Deer Park Baking Co.___Common
(J. R. Williston & Beane) $607,500
Delaware Barrell & Drum Co., Inc.___Common
(G. H. Walker & Co.) 100,000 shares
Diversified Small Business Investment Corp.___Com.
(Lieberbaum & Co. and Morris Cohon & Co.) $3,000,000
Dixie Dinettes, Inc.___Common
(Rubin, Rennert & Co., Inc.) $720,000
Electronic Transmission Corp.___Common
(V. S. Wickett & Co., Inc. and Thomas, Williams & Lee, Inc.) $300,000
Electrosolids Corp.___Preference
(J. R. Williston & Beane) 100,000 shares
Elmar Electronics, Inc.___Common
(Schwabacher & Co.) 200,000 shares
Empire Fund, Inc.___Capital
(A. G. Becker & Co., Inc.) 1,250,000 shares
Empire Precision Components, Inc.___Class A
(Ezra Kureen Co.) $260,000
Family Circle Associates, Inc.___Common
(Russell & Saxe, Inc.) $350,000
Fifth Avenue Cards, Inc.___Capital
(Hardy & Co. and Filor, Bullard & Smyth) 115,000 shares
Fram Corp.___Common
(Merrill Lynch, Pierce, Fenner & Smith Inc.) 50,000 shares
Futura Airlines___Common
(Raymond Moore & Co., Inc. and Pacific Coast Securities Co.) $300,000
Grafco Industries, Inc.___Common
(Philips, Rosen & Appel) $309,000
Happy House, Inc.___Common
(No underwriting) $700,000
High Temperature Materials, Inc.___Common
(L. F. Rothschild & Co.) 120,000 shares
Hoosier Soil Service, Inc.___Common
(Patterson Securities & Investment Co., Inc.) $283,088
Hygiene Industries Inc.___Common
(Milton D. Blauner & Co.) $1,000,000
International Mech-Tronics, Inc.___Common
(Theodore Arrin & Co., Inc.) $240,000
Kelly Girl Service, Inc.___Common
(Dean Witter & Co.) 100,000 shares
Knickerbocker Toy Co., Inc.___Common
(Netherlands Securities Co., Inc. and Herbert Young & Co., Inc.) 100,000 shares
Macoid Industries, Inc.___Common
(Charles Plohn & Co.) $1,500,000
Micro-Lectric, Inc.___Common
(Underhill Securities Corp.) $220,000
Milgray Electronics, Inc.___Common
(Marron, Sloss & Co., Inc.) 166,667 shares
Narrows Premium Corp.___Common
(Pearson, Murphy & Co., Inc.) $400,000
North Atlantic Industries, Inc.___Common
(A. G. Saxton & Co., Inc.) 131,500 shares
Oceanic Instruments, Inc.___Common
(Globus, Inc.) $140,000
Orbit Industries, Inc.___Common
(Hodgdon & Co., Inc.) $500,000
Plymouth Discount Corp.___Common
(M. Posey Associates, Ltd.) $300,000
Product Research of R. I., Inc.___Common
(Continental Bond & Share Corp.) $676,500
Pulp Processes Corp.___Common
(Wilson, Johnson & Higgins) $700,000
Pyramid Publications, Inc.___Common
(Milton D. Blauner & Co., Inc.) 115,000 shares
Quartite Creative Corp.___Common
(Shell Associates, Inc. and Godfrey, Hamilton & Taylor & Co.) $500,000
Rainbow Photo Laboratories, Inc.___Common
(Rodetsky, Walker & Co., Inc.) 150,000 shares
Realty Equities Corp. of New York___Units
(Offering to stockholders—underwritten by Sutro Bros. & Co.) $1,675,800
Recco, Inc.___Class A
(Midland Securities Co., Inc.) 75,000 shares
Reher Simmons Research, Inc.___Capital
(McLaughlin, Kaufmann & Co.) $900,000
Rocket Power, Inc.___Common
(Paine, Webber, Jackson & Curtis) 200,000 shares
Sabre, Inc.___Common
(Schmidt, Sharp, McCabe & Co., Inc.) $100,000
Sel-Rex Corp.___Common
(Eastman Dillon, Union Securities & Co.) 200,000 shares
Servonuclear Corp.___Common
(Rothenberg, Heller & Co., Inc.) $200,000
Servotron Corp.___Common
(No underwriting) $500,000
Shatterproof Glass Corp.___Common
(Shields & Co.) 215,000 shares
Sonic Systems, Inc.___Common
(Keene & Co., Inc.) $150,000
Southern Syndicate, Inc.___Common
(Johnson, Lane, Space Corp.) 300,000 shares
Space Age Materials Corp.___Common
(Durum Securities Corp.) $300,000
Sportsmen, Inc.___Units
(William, David & Motti, Inc.) $300,000
Steel Plant Equipment Corp.___Common
(Joseph W. Hurley & Co.) $300,000
Sterling Extruder Corp.___Common
(Marron, Sloss & Co.) 90,000 shares
Tele-Communications Corp.___Common
(Edward Lewis Co., Inc.) $300,000
Trio-Tech, Inc.___Common
(Ezra Kureen Co.) $200,000
Tripoli Co., Inc.___Common
(D. L. Greenbaum & Co.) $300,000
U-Tell Corp.___Common
(Continental Securities Corp.) $155,485
United States Crown Corp.___Common
(Adams & Peck) $1,200,000
Univend Corp.___Common
(Ezra Kureen Co.) $287,500
Uropa International, Inc.___Common
(Dean Samitas & Co.) $300,000
Voldale, Inc.___Common
(Peters, Writer & Christensen, Inc.) $229,500
Western Semiconductors, Inc.___Capital
(Currier & Carlsen, Inc.) $300,000
Wiatt (Norman) Co.___Common
(Schwabacher & Co.; J. Barth & Co. and Bear, Stearns & Co.) 135,000 shares
Winchell Donut House, Inc.___Common
(McDonnell & Co., Inc.) 90,000 shares
Windsor (Key), Inc.___Class A
(Lee Higginson Corp.) 200,000 shares

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9330 James Ave., South, Minneapolis. **Underwriter**—Brandtjen & Bayliss, Inc., St. Paul, Minn.

● Concord Products, Inc. (2/13-16)
Nov. 28, 1961 filed 120,000 common (with attached 3-year warrants to purchase an additional 60,000 shares at $2 per share) to be offered in units of one share and one-half warrant. **Price**—$2 per unit. **Business**—Manufacture of cosmetics, toiletries, cleaning chemicals, jewelery, etc. **Proceeds** — For general corporate purposes. **Office**—525-535 E. 137th St., New York City. **Underwriter**—N. A. Hart & Co., N. Y.

Concors Supply Co., Inc. (1/22-26)
Oct. 19, 1961 filed 100,000 class A common. **Price**—$4. **Business**—Sale of food service and kitchen equipment. **Proceeds** — For equipment, debt repayment and other corporate purposes. **Office**—110 "A" St., Wilmington, Del. **Underwriter**—Roth & Co., Inc., Philadelphia.

★ Conductron Corp.
Dec. 20, 1961 filed 125,000 class A common. **Price**—By amendment. **Business**—Research and development in the general field of electromagnetic radiation for the U. S. Government. **Proceeds**—For debt repayment and other corporate purposes. **Office**—343 S. Main St., Ann Arbor, Mich. **Underwriters** — McDonnell & Co., and Halle & Stieglitz, N. Y.

Consolidated Aerosol Corp. (1/2-5)
Sept. 29, 1961 ("Reg. A") 70,000 common. **Price**—$3. **Business**—Compounds and packages cosmetics, household pharmaceutical and industrial products. **Proceeds**—For debt repayment, equipment and working capital. **Office**—107 Sylvester St., Westbury, N. Y. **Underwriter**—J. E. Bayard & Co., Inc., 80 Wall St., New York City.

● Consolidated Bowling Corp. (1/29-2/2)
Sept. 28, 1961 filed 200,000 common. **Price**—By amendment. **Business**—Operation of bowling centers. **Proceeds**—For expansion and working capital. **Office**—880 Military Rd., Niagara Falls, N. Y. **Underwriter**—Doolittle & Co., Buffalo, N. Y.

Continental Industrial Electronics Corp.
Nov. 21, 1961 filed 200,000 common. **Price**—$2.50. **Business**—Development and manufacture of television picture tubes. **Proceeds**—For debt repayment and other corporate purposes. **Office**—2724 Leonis Blvd., Los Angeles. **Underwriter** — Amos Treat & Co., Inc., N. Y. **Offering**—Expected sometime in February.

● Continental Leasing Corp.
June 19, 1961 ("Reg. A") 75,000 common. **Price** — $4. **Proceeds**—For purchase of new automobiles, advertising and promotion, and working capital. **Office**—4 Gateway Center, Pittsburgh, Pa. **Underwriter** — Cambridge Securities, Inc., N. Y.

Control Circuits, Inc.
Nov. 16, 1961 ("Reg. A") 120,000 common. **Price**—$2.50 **Business**—Manufacture of electronic components and assemblies. **Proceeds**—For expansion, research and development and working capital. **Office**—c/o Shepherd, Murtha & Merritt, 97 Elm St., Hartford, Conn. **Underwriter**—John R. Boland & Co., Inc., N. Y.

Control Dynamics, Inc. (3/5-9)
Oct. 24, 1961 filed 500,000 common. **Price**—$1.15. **Business**—Development and production of electronic testing and training devices. **Proceeds** — For expansion and working capital. **Office**—9340 James Ave., S., Minneapolis. **Underwriter**—Brandtjen & Bayliss, Inc., St. Paul.

Cooke Engineering Co. (1/15-19)
Sept. 12, 1961 filed 32,000 common. **Price**—$11. **Business**—The manufacture of electronic products and the furnishing of engineering services. **Proceeds**—For equipment, new products, sales promotion and working capital. **Office**—735 N. St. Asaph St., Alexandria, Va. **Underwriter**—Jones, Kreeger & Co., Washington, D. C.

● Coronet Products Co. (1/2-5)
Oct. 31, 1961 ("Reg. A") 62,500 common. **Price**—$4. **Business**—Manufacture of aluminum storm windows and doors. **Proceeds**—For equipment, inventory and working capital. **Office**—2440 Charlotte St., Kansas City, Mo. **Underwriter**—George K. Baum & Co., Kansas City, Mo.

Corrigan Communications, Inc. (1/8-12)
Sept. 28, 1961 filed 375,000 common. **Price**—$2. **Business**—Development and sale of tutorial electronics communications systems for use in individual class rooms. **Proceeds**—To repay loans, purchase machinery, and increase working capital. **Office**—1111 E. Ash Ave., Fullerton, Calif. **Underwriters**—D. E. Liederman & Co., Inc. N. Y. and Mitchum, Jones & Templeton, Los Angeles.

● Cosnat Record Distributing Corp.
May 26, 1961 filed 150,000 shares of common stock, of which 105,556 shares are to be offered for public sale by the company and 44,444 outstanding shares by the present holders thereof. **Price**—To be supplied by amendment. **Business**—The manufacture and distribution of phonograph records. **Proceeds**—For the repayment of debt, and working capital. **Office**—315 W. 47th St., N. Y. **Underwriter**—Amos Treat & Co., N. Y.

Coyle's Voting Machine Co. (1/15-19)
Aug. 31, 1961 ("Reg. A") 10,000 common. **Price**—$14.75. **Business**—The sale of punch card type voting machines. **Office**—830 High St., Hamilton, O. **Underwriter**—John A. Kemper & Co., Lima, O.

● Cromwell Business Machines, Inc. (1/15)
Aug. 1, 1961 ("Reg. A") 100,000 common shares (par 50 cents). **Price**—$3. **Proceeds**—For repayment of loans, machinery, leasehold improvements, advertising and working capital. **Office**—7451 Coldwater Canyon Avenue, North Hollywood, Calif. **Underwriter**—Pacific Coast Securities Co., San Francisco.

● Cryplex Industries, Inc. (1/29-2/2)
Oct. 10, 1961 filed 80,000 common. **Price**—$3.75. **Business** — Manufactures plastic jewelry, dress accessories

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January 9 (Tuesday)

American Finance Co., Inc. — Units
(Myron A. Lomasney & Co.) $1,250,000

Campbell Soup Co. — Capital
(First Boston Corp. and Merrill Lynch, Pierce, Fenner & Smith Inc.) 91,000 shares

Flurocarbon Co. — Common
(D. A. Lomasney & Co.) $300,000

Griesedieck Co. — Common
(Offering to stockholders—underwritten by Edward D. Jones & Co.) 100,000 shares

Municipal Investment Trust Fund, Pa. Series — Ints.
(Ira Haupt & Co.) $6,375,000

New York Telephone Co. — Bonds
(Bids 11 a.m. EST) $60,000,000

Savin Business Machines Corp. — Common
(Ira Haupt & Co.) $1,500,000

Union Title Co. — Capital
(No underwriting) $1,125,000

Union Trust Life Insurance Co. — Common
(No underwriting) 300,000 shares

World Scope Publishers, Inc. — Common
(Standard Securities Corp.) 300,000 shares

January 10 (Wednesday)

Gluckin (Wm.) Co., Ltd. — Common
(Globus, Inc.) $1,750,000

Hartfield Stores, Inc. — Debentures
(Van Alstyne, Noel & Co. and Johnston, Lemon & Co.) $5,000,000

Jorn's Greeting Card Co., Inc. — Common
(Godfrey, Hamilton, Taylor & Co., Inc.) 110,000 shares

Kiddie Rides, Inc. — Units
(Paul C. Kimball & Co.) 1,000 units

Marshall Electronics Co. — Common
(Richard Bruce & Co., Inc.) $300,000

Natural Gas Pipeline Co. of America — Bonds
(Dillon, Read & Co., Inc. and Halsey, Stuart & Co., Inc.) $30,000,000

Paramount Foam Industries — Common
(Fialkov & Co., Inc.) 137,500 shares

Puerto Rico Capital Corp. — Common
(Lieberbaum & Co. and Morris Cohon & Co.) $5,000,000

Tri-Point Industries, Inc. — Common
(Hill, Darlington & Grimm) 160,000 shares

January 15 (Monday)

Acro Electronic Products Co. — Common
(Roth & Co., Inc.) $400,000

Alan-Randal Co., Inc. — Common
(Pacific Coast Securities Co.) $300,000

Al-Crete Corp. — Common
(Whitehall Securities Corp.) $381,000

Aluma-Rail, Inc. — Common
(Amber, Burstein & Co., Inc.) $225,000

American Micro Devices, Inc. — Common
(Naftalin & Co., Inc.) $1,725,000

Anoroc Products, Inc. — Common
(G. Everett Parks & Co., Inc. and Parker Co.) $300,000

Artlin Mills, Inc. — Common
(Mortimer B. Burnside & Co., Inc.) $675,000

Atlas Electronics Inc. — Common
(Hay, Fales & Co. and McLaughlin, Kaufman & Co.) $388,500

Berne of California, Inc. — Common
(Pacific Coast Securities Co.) $255,000

Block (H. R.), Inc. — Common
(George K. Baum & Co.) $300,000

Blue Haven Pools — Capital
(Pacific Coast Securities Co.) $300,000

Bush Terminal Co. — Common
(Offering to stockholders—no underwriting) 92,320 shares

Campus Casuals of California — Common
(William R. Staats & Co.) 140,000 shares

Cineque Colorfilm Laboratories, Inc. — Common
(Paul Eisenberg Co.) $300,000

Cole Vending Industries, Inc. — Common
(Straus, Blosser & McDowell) $575,000

Commonwealth Realty Trust — Shares
(Woodcock, Moyer, Fricke & French, Inc. and Gerstley, Sunstein & Co.) $4,305,560

Cooke Engineering Co. — Common
(Jones, Kreeger & Co.) $352,000

Coyle's Voting Machine Co. — Common
(John A. Kemper & Co.) $147,500

Cromwell Busines Machines, Inc. — Common
(Pacific Coast Securities Co.) $300,000

Delford Industries, Inc. — Common
(I. R. E. Investors Corp.) $332,500

DeLuxe Homes, Inc. — Common
(Alessandrini & Co., Inc.) $300,000

Dougherty Brothers Co. — Common
(Suplee, Yeatman, Mosley & Co., Inc.) 120,000 shares

Folz Vending Co., Inc. — Common
(No underwriting) $330,000

Garden State Small Business Investment Co. — Com.
(Godfrey, Hamilton, Taylor & Co., Inc.) $990,000

Gould Paper Co. — Common
(Amos Treat & Co., Inc.) $1,540,000

Interstate Hosts, Inc. — Debentures
(Offering to stockholders—underwritten by Glore, Forgan & Co. and H. M. Byllesby & Co., Inc.) $2,550,000

Johnson Electronics, Inc. — Capital
(Warner, Jennings, Mandel & Longstreth) 125,000 shares

Laboratory Procedures, Inc. — Capital
(Pacific Coast Securities Co.) $250,000

Leslie (Joyce), Inc. — Common
(Seymour, Bernard & DuBoff, Inc.) $550,000

Lomart Perfected Devices, Inc. — Common
(No underwriting) $500,000

Maust Coal & Coke Corp. — Common
(Eastman Dillon, Union Securities & Co.) 250,000 shares

Melnor Industries, Inc. — Common
(Francis I. duPont & Co.) 152,500 shares

Metallurgical International, Inc. — Class A
(Mortimer B. Burnside & Co.) $435,000

Miss Elliette, Inc. — Common
(F. L. Rossman & Co.) 100,000 shares

National Bowling Lanes, Inc. — Capital
(Edward Lewis & Co., Inc.) $825,000

National Capital Acceptance Corp. — Common
(Guardian Investment Corp.) $300,000

National Equipment & Plastics Corp. — Common
(Cortlandt Investing Corp.) $525,000

Nutri-Laboratories, Inc. — Common
(Hirschel & Co.) $500,000

Orion Electronics Corp. — Common
(A. D. Gilhart & Co., Inc.) $350,000

Pacific Nutrient & Chemical Co. — Common
(Paul Eisenberg & Co., Inc. and Magnus & Co., Inc.) $480,000

Policy-Matic Affiliates, Inc. — Capital
(Balogh & Co., Inc.) $650,000

Popular Library, Inc. — Capital
(Sutro Brothers & Co.) 127,500 shares

Rubber & Fibre Chemical Corp. — Common
(Armstrong & Co., Inc.) $600,000

Southern California Edison Co. — Common
(First Boston Corp. and Dean Witter & Co.) 1,500,000 shares

Southern Realty & Utilities Corp. — Units
(Hirsch & Co. and Lee Higginson Corp.) 8,280 units

Turner Engineering & Automation Corp. — Com.
(Valley Forge Securities Co., Inc.) $300,000

Tyson Metal Products, Inc. — Common
(Arthurs, Lestrange & Co.) 70,000 shares

Val-U Homes Corp. of Delaware — Common
(Underwriter to be named) $500,000

Vic Tanny Enterprises, Inc. — Common
(Globus, Inc. and Ross, Lyon & Co., Inc.) $1,250,000

Voron Electronics Corp. — Class A
(John Josnua & Co., Inc. and Reuben Rose & Co.) $300,000

Weiss Bros. Stores, Inc. — Class A
(Francis I. duPont & Co.) 140,000 shares

West Coast Telephone Co. — Common
(Blyth & Co., Inc.) 110,000 shares

Westland Capital Corp. — Common
(Bear, Stearns & Co.) $10,840,000

January 16 (Tuesday)

A & M Instrument, Inc. — Common
(Crosse & Co., Inc.; V. S. Wickett & Co., Inc. and Thomas, Williams & Lee) $525,000

Bernz (Otto) Co., Inc. — Class A
(Reynolds & Co., Inc.) 150,000 shares

Garrett Corp. — Debentures
(Merrill Lynch, Pierce, Fenner & Smith Inc.) $20,000,000

Hannett Industries, Inc. — Common
(Albion Securities Co., Inc.) $300,000

L. L. Drug Co., Inc. — Common
(Stevens Investment Co.) $450,000

Lincoln Fund, Inc. — Common
(Horizon Management Corp.) 951,799 shares

Pride Industries, Inc. — Common
(Steven Investment Corp.) $375,000

San Diego Imperial Corp. — Common
(White, Weld & Co., Inc. and J. A. Hogle & Co.) 350,091 shares

United Scientific Laboratories, Inc. — Common
(Fred F. Sessler Co., Inc.) $720,000

January 22 (Monday)

Acrylic Optics Corp. — Debentures
(A. D. Gilhard & Co., Inc.) $240,000

Acrylic Optics Corp. — Common
(A. D. Gilhard & Co., Inc.) $50,000

Astro-Science Corp. — Common
(W. C. Langley & Co.) 232,500 shares

Berkshire Distributors, Inc. — Common
(May & Gannon) 100,000 shares

Best Plastics Corp. — Common
(S. B. Cantor Co.) $375,000

Caldwell Publishing Corp. — Capital
(S. B. Cantor Co.) $687,500

Cavalier Radio & Electronics Corp. — Common
(General Securities Co., Inc.) $300,000

Certified Industries, Inc. — Units
(Singer, Beane & Mackie, Inc.) $750,000

Concors Supply Co., Inc. — Common
(Roth & Co., Inc.) $400,000

Glass-Tite Industries, Inc. — Common
(Hemphill, Noyes & Co.) 185,000 shares

Green (Henry J.) Instrument Co. — Common
(N. A. Hart & Co.) $315,000

Gulf American Fire & Casualty Co. — Common
(Offering to stockholders—no underwriting) $452,008

Interphoto Corp. — Common
(C. E. Unterberg, Towbin Co. and Arnhold & S. Bleichroeder, Inc.) $1,800,000

Jackson Optical, Inc. — Common
(Stan-Bee & Co.) $150,000

Japan Fund, Inc. — Common
(Bache & Co.; Paine, Webber, Jackson & Curtis and Nikko Securities Co., Ltd.) $25,000,000

Jayark Films Corp. — Common
(Pacific Coast Securities Co.) 72,000 shares

Markite Corp. — Common
(C. E. Unterberg, Towbin Co.) 100,000 shares

Marks Polarized Corp. — Common
(Ross, Lyon & Co., Inc.; Glass & Ross, Inc. and Globus, Inc.) 95,000 shares

Metatronics Manufacturing Corp. — Common
(Frank Karasik & Co.) $200,000

Molecular Dielectrics, Inc. — Common
(Street & Co., Inc. and Irving Weis & Co.) $750,000

Motor Parts Industries, Inc. — Class A
(Street & Co., Inc.) 120,000 shares

National Real Estate Investment Trust — Common
(Lee Higginson Corp.) $15,000,000

National Tel-Tronics Corp. — Common
(Frank Karasik & Co., Inc.) $399,000

Olympia Mines, Inc. — Capital
(Gaumont Corp., Ltd.) $405,000

Originala, Inc. — Common
(Underwriter to be named) $1,387,500

Papekote, Inc. — Common
(Edward Lewis Co., Inc.) $300,000

Ripley Industries, Inc., and Jomar Plastics Inc. — Units
(Paine, Webber, Jackson & Curtis and American Securities Corp.) 100,000 units

Roto Cylinders, Inc. — Common
(Woodcock, Moyer, Fricke & French, Inc.) $300,000

United Aero Products Corp. — Debentures
(Hess, Grant & Remington, Inc. and Arthurs, Lestrange & Co.) $600,000

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and novelties. **Proceeds**—For product development, moving expenses and working capital. **Office**—37 E. 18th St., N. Y. **Underwriter** — Herbert Young & Co., Inc., N. Y.

Custom Metal Products, Inc.
Nov. 20, 1961 filed 100,000 common. **Price**—$4. **Business**—Manufacture of metal components and electronic hardware to precise tolerances. **Proceeds**—For repayment of debt and other corporate purposes. **Office**—626 Atkins Ave., Brooklyn, N. Y. **Underwriter**—Blank, Lieberman & Co., Inc., N. Y.

★ **Cut & Curl, Inc.**
Dec. 20, 1961 filed 100,000 common. **Price**—$4. **Business**—Operation of beauty salons. **Proceeds**—For expansion. **Office**—67-11 Main St., Flushing, N. Y. **Underwriter**—M. J. Merritt & Co., Inc., N. Y.

Cybernetic Systems Corp.
Dec. 5, 1961 filed 100,000 class A shares. **Price**—$4. **Business** — Company plans to operate a service to furnish advice, assistance and skill in the field of data processing. **Proceeds**—For general corporate purposes. **Office**—71 W. 23rd St., N. Y. **Underwriter**—Jay W. Kaufmann & Co., N. Y.

Dale Systems, Inc. (1/8-12)
Aug. 9, 1961 filed 100,000 common. **Price**—$3.25. **Business**—A shopping service which checks the efficiency of retail sales employees. **Proceeds**—Expansion and general corporate purposes. **Office**—1790 B'way, N. Y. **Underwriter**—Theodore Arrin & Co., Inc., N. Y.

Data-Design Laboratories, Inc.
Oct. 9, 1961 filed 100,000 capital shares. **Price**—By amendment. **Business**—Publishing of technical reports and manuals covering electronic equipment. **Proceeds**—For debt repayment and working capital. **Office**—945 E. California St., Ontario, Calif. **Underwriter**—Morgan & Co., Los Angeles.

Dataline Computer Processing Associates, Ltd.
Nov. 21, 1961 ("Reg. A") 160,000 common. **Price**—$1.25. **Business**—Renders consulting services in the field of commercial data processing. **Proceeds**—For debt repayment and working capital. **Office**—50 E. 42nd St., N. Y. **Underwriter**—Robert F. Shaw, Locust Valley, N. Y.

David & Dash, Inc.
Oct. 25, 1961 filed 108,000 common. **Price**—$5. **Business**—Designing, converting, importing and distributing of decorative fabrics. **Proceeds**—For debt repayment and general corporate purposes. **Office**—2445 N. Miami Ave., Miami, Fla. **Underwriter**—Stirling, Linder & Prigal, Inc., 50 Broadway, N. Y.

David's Inc. (1/3)
Nov. 29, 1961 ("Reg. A") 60,000 common. **Price** — $5. **Business**—Operation of a membership department store. **Proceeds**—For working capital. **Office**—11000 E. Kellogg St., Wichita, Kan. **Underwriters**—Quinn & Co., Albuquerque; A. G. Edwards & Sons, St. Louis; Peters, Writer & Christensen, Inc., Denver; Midland Securities Co., Inc., Kansas City, Mo.; and Dempsey-Tegeler & Co., St. Louis.

Davis (H.) Toy Corp.
Nov. 27, 1961 filed 100,000 capital shares (with attached warrants to purchase an additional 100,000 shares), to be offered in units of one share and one warrant. **Price**—$3.25 per unit. **Business**—Manufactures educational toys. **Proceeds**—To repay debt and increase working capital. **Office**—794 Union St., Brooklyn, N. Y. **Underwriters**—Hampstead Investing Corp., Aetna Securities Corp., and Atlas Securities Corp., N. Y.

Deer Park Baking Co. (1/8-12)
Oct. 27, 1961 filed 90,000 common, of which 10,000 shares are to be offered by the company and 80,000 shares by stockholders. **Price**—$6.75. **Business**—Manufacture of Danish-style and ice-box cookies. **Proceeds**—For working capital and general corporate purposes. **Office**—South Egg Harbor Rd., Hammonton, N. J. **Underwriter**—J. R. Williston & Beane, N. Y.

Delaware Barrel & Drum Co., Inc. (1/8-12)
Sept. 26, 1961 filed 100,000 common. **Price**—By amendment. **Business**—Manufacture of plastic shipping containers and tanks. **Proceeds**—For research and development and other corporate purposes. **Office**—Eden Park Gardens, Wilmington, Del. **Underwriter**—G. H. Walker & Co., N. Y.

Delford Industries, Inc. (1/15-19)
Sept. 28, 1961 filed 95,000 common. **Price**—$3.50. **Business**—Manufacture of precision rubber extrusions. **Proceeds**—Plant expansion, equipment, debt repayment and working capital. **Office**—82-88 Washington St., Middletown, N. Y. **Underwriter**—I. R. E. Investors Corp., Levittown, N. Y.

● **Delta Capital Corp.**
Aug. 9, 1961 filed 500,000 common shares. **Price** — By amendment. **Business** — A small business investment company. **Proceeds**—For investment. **Office**—610 National Bank of Commerce Building, New Orleans. **Underwriters**—Blair & Co., New York and Howard, Weil, Labouisse, Friedrichs & Co., New Orleans (managing). **Offering**—Expected sometime in March.

Delta Venture Capital Corp.
July 13, 1961 filed 520,000 common shares. **Price**—$3.30. **Business**—An investment company. **Office**—1011 N. Hill St., Hopkins, Minn. **Underwriter**—None.

● **DeLuxe Homes, Inc. (1/15-19)**
Dec. 11, 1961 ("Reg. A") 60,000 common. **Price** — $5. **Business** — Construction and financing of shell homes. **Proceeds**—For working capital. **Address**—Allendale, S. C. **Underwriter**—Alessandrini & Co., Inc., N. Y.

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U. S. Controls, Inc. ____ Common
(N. A. Hart & Co.) $270,000
Valley Metallurgical Processing Co. ____ Common
(McDonnell & Co., Inc.) 70,000 shares
Van-Pak, Inc. ____ Common
(Hodgdon & Co., Inc.) $2,100,000
Widmann (L. F.), Inc. ____ Common
(Godfrey, Hamilton, Taylor & Co.) $486,000

January 23 (Tuesday)

Shamrock Oil & Gas Corp. ____ Debentures
(First Boston Corp.) $25,000,000
Texas Power & Light Co. ____ Debentures
(Bids 11:30 a.m.) $10,000,000

January 29 (Monday)

Aero-Dynamics Corp. ____ Common
(Cambridge Securities, Inc. and Edward Lewis Co., Inc.) $500,000
Airtronics International Corp. of Florida ____ Common
(Stein Bros. & Boyce and Vickers, McPherson & Warwick, Inc.) 199,000 shares
Alaska Pacific Lumber Co. ____ Common
(Dempsey-Tegeler & Co., Inc.) 250,000 shares
Alson Manufacturing Co. ____ Common
(Albion Securities Co., Inc.) $300,000
American Book-Stratford Press, Inc. ____ Common
(Bear, Stearns & Co.) 430,000 shares
American Realty & Petroleum Corp. ____ Debentures
(Troster Singer & Co.) $2,000,000
Atmospheric Controls, Inc. ____ Common
(First Investment Planning Co.) $140,000
Bacharach Industrial Instrument Co. ____ Common
(Arthurs, Lestrange & Co.) 60,000 shares
Bay State Electronics Corp. ____ Common
(S. D. Fuller & Co.) 160,000 shares
Browning Arms Co. ____ Common
(Harriman Ripley & Co., Inc.) 368,700 shares
Central Acceptance Corp. of Delaware ____ Common
(Armstrong & Co., Inc.) $750,000
Century Brick Corp. ____ Common
(Sandkuhl & Co., Inc.) $300,000
Consolidated Bowling Corp. ____ Common
(Doolittle & Co.) 200,000 shares
Cryplex Industries, Inc. ____ Common
(Herbert Young & Co., Inc.) $300,000
District Photo, Inc. ____ Common
(Auchincloss, Parker & Redpath) 100,000 shares
Eastern Properties Improvement Corp. ____ Common
(Woodcock, Moyer, Fricke & French, Inc.) $2,500,000
Eastern Properties Improvement Corp. ____ Debens.
(Woodcock, Moyer, Fricke & French, Inc.) $1,500,000
Fastline Inc. ____ Units
(G. Everett Parks & Co., Inc.) $460,000
Fidelity American Financial Corp. ____ Common
(Netherlands Securities Co., Inc.) $500,000
Flair Cards, Inc. ____ Common
(Amber, Burstein & Co., Inc.) $224,001
Florida Palm-Aire Corp. ____ Common
(Offering to stockholders—underwritten by Hardy & Co.) $620,000
Florida Palm-Aire Corp. ____ Common
(Hardy & Co.) $306,000
Harleysville Life Insurance Co. ____ Common
(No underwriting) $600,000
Hartman Marine Electronics Corp. ____ Common
(Charles Plohn & Co.) $400,000
Hydra-Loc, Inc. ____ Common
(McLaughlin, Kaufman & Co.) $120,000
Inpak Systems, Inc. ____ Common
(Stearns & Co. and Joseph Nadler & Co.) $382,500
Interworld Film Distributors, Inc. ____ Common
(General Securities Co., Inc. and S. Kasdan & Co., Inc.) $425,000
King Louie Bowling Corp. ____ Common
(George K. Baum & Co.) $975,000
Kollmorgen Corp. ____ Common
(Putnam & Co.) 100,000 shares
Krylon, Inc. ____ Common
(Eastman Dillon, Union Securities & Co.) 250,000 shares
Lido Corp. ____ Common
(Flomenhaft, Seidler & Co., Inc.) $273,000
MacLevy Associates, Inc. ____ Common
(Continental Bond & Share Corp.) $300,000
McCall Corp. ____ Debentures
(Offering to stockholders—underwritten by Goldman, Sachs & Co.) $9,983,000
Mobile Rentals Corp. ____ Common
(Kleiner, Bell & Co.) 215,000 shares
Plasticrete Corp. ____ Common
(Blair & Co., Inc.) 160,000 shares
RF Interonics, Inc. ____ Common
(Arnold Malkan & Co.) $200,000
Rodale Electronics, Inc. ____ Common
(Charles Plohn & Co.) $300,000
S. M. S. Instruments, Inc. ____ Common
(Lieberbaum & Co.) $325,000
Sav-Mor Oil Corp. ____ Common
(Amber, Burstein & Co., Inc.) $230,000
Sea-Wide Electronics, Inc. ____ Common
(Amos Treat & Co.) $800,000
Seg Electronics Co. Inc. ____ Common
(Searight, Ahalt & O'Connor, Inc.) 100,000 shares
Silo Discount Centers, Inc. ____ Common
(Boenning & Co. and Rodetsky, Walker & Co., Inc.) 165,000 shares
Sokol Brothers Furniture Co., Inc. ____ Common
(Continental Bond & Share Corp.) $600,000
Spandex Corp. ____ Common
(McLaughlin, Kaufman & Co.) $270,000
Texas Tennessee Industries, Inc. ____ Common
(S. D. Fuller & Co.) 175,000 shares
Tokyo Shibura Electric Co., Ltd. ("Toshiba") ____ Common
(Smith, Barney & Co. and Nomura Securities Co. Ltd.) 30,000,000 shares
Ultra Plastics Inc. ____ Common
(Amos Treat & Co.) $600,000
Vitamin Specialties Co. ____ Capital
(Woodcock, Moyer, Fricke & French, Inc.) $300,000
Worldwide Fund Ltd. ____ Common
(Burnham & Co.) $10,000,000

February 5 (Monday)

ABC Cellophane Corp. ____ Common
(Havener Securities Corp.) $300,000
Burton Mount Corp. ____ Common
(Reiner, Linburn & Co.) $600,000
Dynamic Toy, Inc. ____ Common
(Hancock Securities Corp.) $243,000
Equitable Credit & Discount Co. ____ Units
(Paul C. Kimball & Co.) $1,100,000
Gard (Andy) Corp. ____ Common
(Van Alstyne, Noel & Co.) 200,000 shares
Lunar Enterprises, Inc. ____ Common
(Ehrlich, Irwin & Co., Inc.) $718,750
Nigeria Chemical Corp. ____ Common
(Scott, Harvey & Co., Inc.) $450,000
Raritan Plastics Corp. ____ Common
(Gianis & Co., Inc.) $500,000
Shenk Industries, Inc. ____ Common
(Rodetsky, Walker & Co., Inc. and Boenning & Co.) $900,000
Sheraton Corp. of America ____ Debentures
(Paine, Webber, Jackson & Curtis and S. D. Lunt & Co.) $8,000,000
Stokely-Van Camp, Inc. ____ Common
(Reynolds & Co., Inc.) 100,000 shares
Stokely-Van Camp, Inc. ____ Debentures
(Reynolds & Co., Inc.) $15,000,000
Tech-Torch Co., Inc. ____ Common
(Scott, Harvey & Co., Inc.) $325,000
Vornado, Inc. ____ Debentures
(Bache & Co.) $5,500,000
Westates Land Development Corp. ____ Units
(Morris Cohon & Co.) $3,000,000
World Toy House, Inc. ____ Common
(Laren Co.) 150,000 shares
Wulpa Parking Systems, Inc. ____ Common
(Ehrlich, Irwin & Co., Inc.) $300,000

February 6 (Tuesday)

Elizabethtown Water Co. ____ Debentures
(Bids to be received) $9,000,000

February 7 (Wednesday)

El Paso Electric Co. ____ Bonds
(Bids to be received) $10,500,000

February 8 (Thursday)

Fluke (John) Mfg. Co., Inc. ____ Common
(White, Weld & Co.) 170,000 shares

February 13 (Tuesday)

Arwood Corp. ____ Common
(Bear, Stearns & Co.) 230,000 shares
Austin Continental Industries, Inc. ____ Common
(Raymond Moore & Co.) $721,000
Concord Products, Inc. ____ Common
(N. A. Hart & Co.) $240,000
Family Record Plan, Inc. ____ Common
(Bache & Co.) 200,000 shares
Filon Plastics Corp. ____ Common
(White, Weld & Co.) 200,000 shares
Honig's-Parkway, Inc. ____ Common
(Richard Bruce & Co., Inc.) $300,000
National Rolling Mills Co. ____ Common
(Drexel & Co.) 200,000 shares
Power Industrial Products Co. ____ Class A
(S. D. Fuller & Co.) 160,000 shares
Spiral Metal Co., Inc. ____ Common
(Flomenhaft, Seidler & Co.) $250,000
Youthcraft Creations, Inc. ____ Class A
(Paine, Webber, Jackson, & Curtis) 130,000 shares

February 14 (Wednesday)

American Telephone & Telegraph Co. ____ Deb. Bonds
(Bids to be received) $300,000,000

February 15 (Thursday)

Western California Telephone Co. ____ Common
(Offering to stockholders underwritten by Dean Witter & Co.) 84,000 shares

February 19 (Monday)

First Midwest Capital Corp. ____ Common
(Paine, Webber, Jackson & Curtis and Craig-Hallum, Kinnard, Inc.) 150,000 shares
Technibilt Corp. ____ Common
(Frank Karasik & Co.) $600,000

February 20 (Tuesday)

Duke Power Co. ____ Bonds
(Bids 11 a.m. EST) $50,000,000

February 26 (Monday)

Bridge Electronics Co., Inc. ____ Common
(Roth & Co., Inc. and Amos Treat & Co., Inc.) $900,000
Carmer Industries, Inc. ____ Common
(Godfrey, Hamilton, Taylor & Co., Inc.) 185,000 shares
Fields Plastics & Chemicals, Inc. ____ Common
(Sutro Bros. & Co.) 220,000 shares
First Scientific Corp. ____ Class A
(Netherlands Securities Co., Inc.; Seymour Blauner Co. and Sprayregen, Haft & Co.) $600,000
Honora, Ltd. ____ Common
(Sunshine Securities, Inc.) $286,875
Lithoid, Inc. ____ Common
(Godfrey, Hamilton, Taylor & Co., Inc.) $360,000
Oxford Finance Cos., Inc. ____ Common
(Blair & Co., Inc.) 200,000 shares
Sperti Products, Inc. ____ Common
(Blair & Co., Inc.) 230,000 shares
Tork Time Controls, Inc. ____ Common
(Godfrey, Hamilton, Taylor & Co. and Magnus & Co.) 150,000 shares
United Packaging Co., Inc. ____ Common
(Godfrey, Hamilton, Taylor & Co., Inc.) $306,000

March 1 (Thursday)

Oklahoma Gas & Electric Co. ____ Common
(Offering to stockholders—may be underwritten by Merrill Lynch, Pierce, Fenner & Smith, Inc.) 328,912 shares

March 5 (Monday)

Control Dynamics, Inc. ____ Common
(Brandtjen & Bayliss, Inc.) $575,000
West Penn Power Co. ____ Bonds
(Bids to be received) $25,000,000

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Dennis Real Estate Investment Trust
July 24, 1961 filed 100,000 shares of beneficial interest. **Price**—$100. **Business**—A real estate investment company. **Office** — 90 State Street, Albany, N. Y. **Underwriter**—None.

● Dero Research and Development Corp.
Aug. 24, 1961 ("Reg. A") 54,000 common. **Price**—$2.40. **Business**—The manufacture of FM Deviation Monitors. **Proceeds**—For development, expansion, advertising and working capital. **Office** — Broadway and Park Ave., Huntington, N. Y. **Underwriter**—James Co., N. Y. **Offering**—Imminent.

Deuterium Corp.
Sept. 28, 1961 filed 140,000 common with attached warrants to purchase an additional 140,000 shares to be offered for subscription by stockholders in units (of one share and one warrant) on the basis of 3 units for each 5% preferred share held, 2 units for each 5% preferred A stock held and one unit for each 10 class B shares held. **Price**—$20 per unit. **Business**—Company plans to manufacture and utilize all kinds of chemical materials. **Proceeds**—For start-up expenses for a laboratory and small plant. **Office**—360 Lexington Ave., New York. **Underwriter**—None.

★ Dialight Corp.
Dec. 22, 1961 filed 367,000 common. **Price**—By amendment. **Business**—Design and manufacture of precision-engineered indicator lights for aircraft, missile and electronic instruments. **Proceeds**—For selling stockholders. **Office**—60 Stewart Ave., Brooklyn, N. Y. **Underwriter**—Burnham & Co., N. Y.

District Photo, Inc. (1/29-2/2)
Nov. 16, 1961 filed 100,000 common, of which 80,000 are to be offered by the company and 20,000 by a stockholder. **Price**—By amendment. **Business**—Processes and prints photographic film and distributes wholesale photographic equipment. **Proceeds**—For repayment of debt, plant expansion, and working capital. **Office**—3306 Wisconsin Ave., N. W., Washington, D. C. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

Diversified Discount & Acceptance Corp.
Dec. 13, 1961 filed 125,000 common. **Price**—$4.50. **Business**—A small loan investment company. **Proceeds**—For expansion. **Office**—707 Northwestern Federal Bldg., Minneapolis. **Underwriter**—Bratter & Co., Inc., Minneapolis.

Diversified Small Business Investment Corp. (1/8-12)
Sept. 27, 1961 filed 600,000 common. **Price**—$5. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office**—214 Engle St., Englewood, N. J. **Underwriters**—Lieberbaum & Co. and Morris Cohon & Co., N. Y.

Dixie Dinettes, Inc. (1/8-12)
Sept. 28, 1961 filed 144,000 common. **Price**—$5. **Business**—Manufacture of tables and chairs for use in kitchens and dinettes. **Proceeds**—For selling stockholders. **Office**—Dabney Rd., Richmond, Va. **Underwriter**—Rubin, Rennert & Co., Inc., N. Y.

Dolphin-Miller Mines Ltd.
Oct. 3, 1961 filed 1,600,000 capital shares, of which 1,200,000 shares are to be offered by the company and 400,000 shares by stockholders. **Price**—50c. **Business**—The exploration and production of ores. **Proceeds**—For salaries and general corporate purposes. **Office** — 25 Adelaide St., W., Toronto, Canada. **Underwriter**—Brewis & White Ltd., Toronto.

Don Mills, Inc.
Sept. 27, 1961 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Financing of shipments of business machines. **Proceeds**—General corporate purposes. **Office**—Red Rock Bldg., Atlanta, Ga. **Underwriter**—Stan-Bee & Co., Washington, D. C.

● Dougherty Borthers Co. (1/15-19)
Oct. 24, 1961 filed 120,000 common. **Price**—By amendment. **Business**—Manufacture of medicine droppers and components and glass cartridges for the pharmaceutical industry. **Proceeds** — For debt repayment and general corporate purposes. **Address**—Buena, N. J. **Underwriters**—Suplee, Yeatman, Mosley Co., Inc., Philadelphia.

★ Dover Construction Co.
Dec. 21, 1961 filed $750,000 convertible subordinated debentures due 1972, and 100,000 common. **Price** — By amendment. **Business**—Construction and sale of homes. **Proceeds** — For debt repayment and working capital. **Office**—2120 Green Rd., Cleveland. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland.

Duralite Co., Inc.
Nov. 29, 1961 filed 128,000 common. **Price**—$4. **Business**—Design and manufacture of aluminum-frame outdoor and porch furniture. **Proceeds** — For product development, equipment and working capital. **Office**—2 Barbour Ave., Passaic, N. J. **Underwriter**—Preiss, Cinder & Hoffman Inc., N. Y.

● Dynamic Toy, Inc. (2/5-9)
June 30, 1961 ("Reg. A") 81,000 common. **Price** — $3. **Business**—Manufacture of toys. **Proceeds**—Advertising, development of new products, expansion and working capital. **Address**—109 Ainslie St., Brooklyn, N. Y. **Underwriter**—Hancock Securities Corp., N. Y.

● EMAC Data Processing Corp. (1/2-5)
Sept. 8, 1961 filed 100,000 common. **Price**—$2.50. **Business**—The company conducts an electronic data processing service. **Proceeds**—Rental of additional data processing equipment, sales promotion, salaries, rent, furniture and working capital. **Office**—46-36 53rd Ave., Maspeth, N. Y. **Underwriter**—M. W. Janis Co., Inc., N. Y.

Eastern Properties Improvement Corp. (1/29-2/2)
Aug. 22, 1961 filed $1,500,000 of subordinated debentures due 1981 and 250,000 common shares. **Price**—For debentures, $1,000; for stock, $10. **Business**—General real estate. **Proceeds**—For the acquisition and development of real properties, repayment of debt and engineering, etc. **Office**—10 E. 40th St., New York. **Underwriter**—Woodcock, Moyer, Fricke & French, Inc., Philadelphia.

Econ-O-Pay, Inc.
Oct. 26, 1961 filed 1,000,000 common. **Price**—$3. **Business**—A dealer recourse finance business. **Proceeds** General corporate purposes. **Office**—164 E. Main St., Valley City, N. D. **Underwriter**—Reserve Funds, Inc., Valley City, N. D.

Economy Food Enterprises Corp.
Nov. 29, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Sale and servicing of home food freezers and sale of bulk food to freezer owners. **Proceeds**—For general corporate purposes. **Office**—180 Babylon Turnpike, Roosevelt, L. I., N. Y. **Underwriter**—Sentinel Securities Planning Corp., Long Island City, N. Y.

Economy Water Conditioners of Canada Ltd.
Nov. 21, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Sale of water conditioning units to home owners. **Proceeds**—Rental of units, new distributorships and expansion. **Office**—36 Densley Ave., Toronto. **Underwriter**—S. I. Emrich Associates, Inc., N. Y.

★ Educational Aids Co., Inc.
Dec. 26, 1961 filed 100,000 common. **Price**—$5. **Business**—Sale of school supplies, toys and notions. **Proceeds**—For equipment, inventories and working capital. **Office**—1125 Okie St., N. E., Washington, D. C. **Underwriter**—Wright, Myers & Bessell, Inc.

Edu-tronics, Inc.
Oct. 27, 1961 filed 80,000 common. **Price**—$4. **Business**—Distribution of electronic parts and equipment. Company also plans to manufacture and sell electronic teaching machines. **Proceeds**—For product development and other corporate purposes. **Office**—136-05 35th Ave., Flushing, N. Y. **Underwriters**—Packer-Wilbur & Co., Inc. (mgr.). and Earle Securities Co., Inc., N .Y.

Educator & Executive Co.
Nov. 30, 1961 filed 174,900 common. **Price**—By amendment. **Business**—An holding company for insurance concerns. **Proceeds**—For general corporate purposes. **Office**—3857 N. High St., Columbus, Ohio. **Underwriter**—McDonald & Co., Cleveland.

● Electro-Mec Instrument Corp.
Sept. 15, 1961 filed 176,480 common. **Price**—$6. **Business**—The design, manufacture and sale of potentiometers, digitometers and goniometers used in airborne computing devices. **Proceeds**—For the selling stockholder, Waltham Precision Instrument Co., Inc. **Office**—47-51 33rd St., Long Island City, N. Y. **Underwriter**—Sterling, Grace & Co., N. Y. **Note** — This registration was indefinitely postponed.

Electro-Tec Corp.
July 28, 1961 filed 91,000 common shares (par 10 cents). **Price**—By amendment. **Business**—The manufacture of slip rings and brush block assemblies, switching devices, relays, and precious metal products. **Proceeds**—For the selling stockholders. **Office** — 10 Romanelli Ave., South Hackensack, N. J. **Underwriter**—Harriman Ripley & Co., Inc., N. Y. (mgr.). **Offering**—Expected in February.

Electromagnetics Corp.
Nov. 17, 1961 filed 75,000 common. **Price**—$5. **Business**—Design and manufacture of precision nuclear magnetic instrumentation. **Proceeds**—For general corporate purposes. **Office**—Sawyer Lane, Hudson, Mass. **Underwriter**—Gianis & Co., Inc., N. Y.

Electronic Controls, Inc.
Nov. 29, 1961 filed 100,000 common. **Price**—$3. **Business**—Design and manufacture of automatic electronic and computer controlled drives and systems, helicopter check-out, flight control and landing control systems and multi-contact relays and switches. **Proceeds**—For debt repayment, working capital and other corporate purposes. **Office**—67 Southfield Ave., Stamford, Conn. **Underwriter** — Seymour, Bernard & DeBoff, Inc., N. Y. **Offering**—Expected sometime in March.

Electronic Transmission Corp. (1/8-12)
Oct. 27, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business** — Manufacture, design and field testing of closed-circuit television. **Proceeds**—For debt repayment and other corporate purposes. **Office**—103 Hawthorne Ave., Valley Stream, N. Y. **Underwriters**—V. S. Wickett & Co., Inc. and Thomas, Williams & Lee, Inc., N. Y.

Electrosolids Corp. (1/8-12)
Oct. 30, 1961 filed 100,000 cum. conv. preference shares. **Price**—By amendment. **Business**—Production of devices for converting AC-DC current for aircraft, missiles and ships. **Proceeds** — Debt repayment and other corporate purposes. **Office**—12740 San Fernando Rd., N., Sylmar, Calif. **Underwriter**—J. R. Williston & Beane, N. Y.

★ Elizabethtown Water Co. (2/6/62)
Dec. 21, 1961 filed $9,000,000 of debentures due 1992. **Proceeds**—For debt repayment. **Office**—22 West Jersey St., Elizabeth, N. J. **Underwriters**—(Competitive). Probable bidders: W. C. Langley & Co.-Paine, Webber, Jackson & Curtis (jointly); Salomon Brothers & Hutzler-Eastman Dillon, Union Securities & Co. (jointly); White, Weld & Co.; Halsey, Stuart & Co. Inc. **Bids**—Expected Feb. 6.

Elmar Electronics Inc. (1/8-12)
Sept. 29, 1961 filed 200,000 common, of which 100,000 will be sold by the company and 100,000 by stockholders. **Price**—By amendment. **Business**—Distribution of electronic parts and equipment. **Proceeds**—Debt repayment, expansion and working capital. **Office**—140 Eleventh St., Oakland, Calif. **Underwriter**—Schwabacher & Co., San Francisco.

Empire Fund, Inc. (1/8-12)
June 28, 1961 filed 1,250,000 shares of capital stock to be offered in exchange for blocks of designated securities. **Business**—A "centennial-type" fund which plans to offer a tax free exchange of its shares for blocks of corporate securities having a market value of $20,000 or more. **Office**—44 School Street, Boston, Mass. **Underwriter**—A. G. Becker & Co., Inc., Chicago.

Empire Precision Components, Inc. (1/8-12)
Aug. 29, 1961 ("Reg. A") 65,000 class A. **Price**—$4. **Business**—The manufacture of metal component parts for precision electronic connectors. **Proceeds**—For moving expenses, a new plant, equipment, repayment of loans and working capital. **Office**—574 President St., Brooklyn, N. Y. **Underwriter**—Ezra Kureen Co., N. Y.

Eon Corp.
Oct. 2, 1961 filed 133,333 common. **Price**—By amendment. **Business**—Manufacture of equipment for radiation detection and measurements. **Proceeds**—For equipment, leasehold improvements and working capital. **Office**—175 Pearl St., Brooklyn. **Underwriter**—L. H. Rothchild & Co., N. Y.

Equitable Credit & Discount Co. (2/5-9)
Oct. 27, 1961 filed $1,000,000 of 6½% jr. subord. conv. debentures due 1977 and 50,000 common shares to be offered in units consisting of $500 of debentures and 25 shares. **Price**—$550 per unit. **Business**—Lending and insurance. **Proceeds**—For working capital. **Office**—674 N. Broad St., Philadelphia. **Underwriter**—Paul C. Kimball & Co., Chicago.

Equity Capital Co.
Nov. 29, 1961 filed $3,000,000 of 8% subordinate debentures due 1965. **Price**—At par. **Business**—The investment in mortgages and the making of construction loans to builders and property owners. **Proceeds**—For repayment of debt and working capital. **Office**—430 First Ave. North, Minneapolis. **Underwriter**—None.

Extrin Foods, Inc.
Nov. 29, 1961 filed 100,000 common. **Price**—$3.25. **Business**—Creation and manufacture of flavors for the baking and confectionary industries. **Proceeds**—For additional personnel, new products and possible acquisitions. **Office**—70 Barclay St., N. Y. **Underwriters**—Hay, Fales & Co., and McLaughlin, Kaufman & Co., N. Y. **Offering**—Expected sometime in March.

Fairbanks Wire Co., Inc.
Oct. 30, 1961 filed 54,000 common. **Price**—$3. **Business**—Manufactures specialized machinery and equipment. **Proceeds** — For debt repayment and general corporate purposes. **Office**—Walnut St., M D 23, Newburg, N. Y. **Underwriter**—First Madison Corp., N. Y.

● Family Circle Associates, Inc. (1/8-12)
Aug. 30, 1961 filed 50,000 class A common. **Price**—$7. **Business**—The operation of retail discount department stores. **Proceeds**—For repayment of loans and working capital. **Office**—30 Main St., Keyport, N. J. **Underwriter**—Russell & Saxe, Inc., N. Y.

Family Record Plan, Inc. (2/13-16)
Nov. 20, 1961 filed 200,000 common. **Price**—By amendment. **Business**—Sale of photographic portraits and albums. **Proceeds**—For selling stockholders. **Office**—2015 W. Olympic Blvd., Los Angeles. **Underwriter**—Bache & Co., N. Y.

Faradyne Electronics Corp.
Jan. 30, 1961 filed $2,000,000 of 6% convertible subordinated debentures. **Price**—100% of principal amount. **Business**—The company is engaged in the manufacture and distribution of high reliability materials and basic electronic components, including dielectric and electrolytic capacitors and precision tungsten wire forms. **Proceeds**—For the payment of debts and for working capital. **Office**—471 Cortlandt Street, Belleville, N. J. **Underwriter**—To be named. **Note**—July 11, the SEC instituted "Stop Order" proceedings challenging the accuracy and adequacy of this statement.

● Fastline Inc. (1/29-2/2)
Sept. 28, 1961 filed $400,000 of 6% conv. subord. debentures due 1971 and 40,000 common shares to be offered publicly in units of one $500 debenture and 50 common. **Price**—$575 per unit. **Business**—Manufacture of concealed zippers. **Proceeds**—Debt repayment, advertising and working capital. **Office**—8 Washington Place, N. Y. **Underwriter**—G. Everett Parks & Co., Inc., N. Y.

Fastpak, Inc.
Nov. 30, 1961 filed 125,000 common. **Price**—$5. **Business**—The distribution of nuts, bolts and other fastening devices manufactured by others. **Proceeds**—For debt repayment and general corporate purposes. **Office**—8 Benson Place, Freeport, N. Y. **Underwriter** — Arnold Malkan & Co., Inc., N. Y.

★ Federal Mortgage Investors
Dec. 21, 1961 filed 1,700,000 shares of beneficial interest. **Price**—By amendment. **Business**—A business trust which plans to qualify as a real estate investment trust. **Proceeds**—For investment. **Office**—50 State St., Boston. **Underwriters**—Hemphill, Noyes & Co., N. Y. and Paine, Webber, Jackson & Curtis, Boston.

Fidelity America Financial Corp. (1/29)
Oct. 3, 1961 filed 100,000 common. **Price**—$5. **Business**—Commercial finance company. **Proceeds** — General corporate purposes. **Office**—42 S. 15th St., Phila. **Underwriter**—Netherlands Securities Co., Inc., N. Y.

Fidelity Mining Investments Ltd.
Nov. 30, 1961 filed 800,000 common. **Price**—By amendment. **Business**—Exploration and testing of mining properties. **Proceeds**—For general corporate purposes. **Office**—62 Richmond St., Toronto. **Underwriter**—G. V. Kirby & Associates, Ltd., Toronto.

Fields Plastics & Chemicals, Inc. (2/26-3/2)
Nov. 29, 1961 filed 220,000 common. **Price**—By amendment. **Business**—Manufacture of vinyl plastic sheeting. **Proceeds**—For selling stockholders. **Office**—199 Garibaldi Ave., Lodi, N. J. **Underwriter**—Sutro Bros. & Co., N. Y.

Fifth Avenue Cards, Inc. (1/8-12)
Sept. 28, 1961 filed 115,000 class A capital shares. **Price**—By amendment. **Business**—Operation of a chain of retail greeting card stores. **Proceeds**—Debt repayment, working capital and expansion. **Office**—18 W. 34th St., N. Y. **Underwriters**—Hardy & Co. and Filor, Bullard & Smyth, N. Y.

Filon Plastics Corp. (2/13-17)
Dec. 4, 1961 filed 200,000 common, of which 50,000 are to be offered by the company and 150,000 by stockholders. **Price**—By amendment. **Business**—Manufactures translucent fiberglas panels for building and decorative purposes. **Proceeds**—For expansion and working capital. **Office**—333 North Van Ness Ave., Hawthorne, Calif. **Underwriter**—White, Weld & Co., N. Y.

● First Federated Life Insurance Co.
Sept. 20, 1061 filed 10,000 capital shares being offered for subscription by stockholders at the rate of one new share for each two held of record Dec. 26 with rights to expire Jan. 9, 1962. **Price**—$35. **Proceeds**—To increase capital. **Office**—Munsey Bldg., Baltimore, Md. **Underwriter** — None.

First Hartford Realty Corp.
Oct. 30, 1961 filed 500,000 common. **Price**—By amendment. **Business**—Real estate investment. **Proceeds**—For property acquisitions, debt repayment and other corporate purposes. **Office**—380-390 W. Middle Turnpike, Manchester, Conn. **Underwriter**—Putnam & Co., Hartford. **Offering**—In early February.

First Midwest Capital Corp. (2/19-23)
Sept. 28, 1961 filed 150,000 common. **Price**—By amendment. **Business**—A small business investment company. **Proceeds**—General corporate purposes. **Office**—512 Nicollet Ave., Minneapolis. **Underwriters**—Paine, Webber, Jackson & Curtis, N. Y., and Craig-Hallum, Kinnard, Inc., Minneapolis.

First New York Capital Fund, Inc.
Oct. 27, 1961 filed 2,770,000 capital shares. **Price**—$1. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—1295 Northern Blvd., Manhasset, N. Y. **Underwriter**—None.

★ First Republic Corp. of America
Dec. 19, 1961 filed $9,400,000 of 6½% convertible subordinated debentures due 1982 and 188,000 class A shares to be offered for subscription by class A stockholders in 47,000 units, each consisting of $200 of debentures and 4 class A shares. One right will be issued for each class A share held, and 40 rights will be needed to purchase one unit. **Price**—By amendment. **Business**—General real estate. **Proceeds**—For debt repayment and other corporate purposes. **Office**—375 Fifth Ave., N. Y. **Underwriters**—Morris Cohon & Co. and Lieberbaum & Co., N. Y.

First Scientific Corp. (2/26-3/2)
Dec. 6, 1961 filed 200,000 class A stock. **Price**—$3. **Business**—Company plans to acquire, invest in, and finance patents and new scientific technology. **Proceeds**—For general corporate purposes. **Office**—375 Park Ave., N. Y. **Underwriters**—Netherlands Securities Co., Inc., Seymour Blauner Co., and Sprayregen, Haft & Co., N. Y.

● Flair Cards, Inc. (1/29-2/2)
Nov. 14, 1961 ("Reg. A") 74,667 common. **Price**—$3. **Business**—Manufactures greeting cards, greeting card trays, dishes, note paper, etc. **Proceeds** — For debt repayment and working capital. **Office**—537 W. 53rd St., N. Y. **Underwriter**—Amber, Burstein & Co., Inc., N. Y.

● Fleetwood Securities Corp. of America (1/2-5)
Aug. 8, 1961 filed 70,000 common shares, of which 56,000 shares are to be offered by the company and 14,000 shares by stockholders. **Price**—$10. **Business**—Distributor of Electronics Investment Corp., Contractual Plans and a broker-dealer registered with NASD. **Proceeds**—To increase net capital and for investment. **Office**—44 Wall St., N. Y. **Underwriter**—General Securities Co., Inc., N. Y.

Flex-I-Brush, Inc.
Nov. 27, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Manufacture of one piece disposable plastic toothbrushes. **Proceeds**—For general corporate purposes. **Office**—7400 N. W. Seventh Ave., Miami, Fla. **Underwriter**—Meadowbrook Securities, Inc., Hempstead, N. Y.

Florida Palm-Aire Corp. (1/29-2/2)
Oct. 19, 1961 filed 463,000 common, of which 310,000 shares are to be offered for subscription by the stockholders on a 1-for-3 basis, and 153,000 shares will be sold to the public. **Price**—$2. **Business**—Purchase, development and sale of undeveloped real property and related activities. **Proceeds**—For debt repayment and general corporate purposes. **Office** — 1790 N. Federal Highway, Pompano Beach, Fla. **Underwriter**—Hardy & Co., N. Y.

Flower City Industries, Inc.
Nov. 29, 1961 filed 100,000 common. **Price**—$3.25. **Business.** — Design and manufacture of plastic artificial foliage and flowers. **Proceeds** — For general corporate purposes. **Address**—St. Thomas, Virgin Islands. **Underwriter**—Seidman & Williams, N. Y.

Floyd Bennett Stores, Inc.
Aug. 30, 1961 filed 100,000 common. **Price**—By amendment. **Business**—The operation of discount department stores. **Proceeds**—For repayment of loans and working capital. **Office**—300 W. Sunrise Highway, Valley Stream, N. Y. **Underwriters**—Goodkind, Neufeld, Jordon Co., Inc. and Richter & Co., N. Y. (mgrs.). **Offering**—Imminent.

Fluke (John) Mfg. Co., Inc. (2/8)
Dec. 11, 1961 filed 170,000 common, of which 135,000 are to be offered by the company and 35,000 by stockholders. **Price**—By amendment. **Business**—Design and manufacture of precision electronic instruments, potentiometers, and related components. **Proceeds**—For debt repayment and working capital. **Office**—7100-220th St., S. W., Mountlake Terrace, Wash. **Underwriter**—White, Weld & Co., N. Y.

Flurocarbon Co. (1/9-12)
Oct. 23, 1961 ("Reg. A") 60,000 common. **Price** — $5. **Business** — Processing and fabrication of fluorocarbon plastic raw materials and parts. **Proceeds**—For debt repayment and general corporate purposes. **Office**—1754 S. Clementine St., Anaheim, Calif. **Underwriter**—D. A. Lomasney & Co., N. Y.

Folz Vending Co., Inc. (1/15-19)
Sept. 26, 1961 filed 55,000 common. **Price**—$6. **Business**—The distribution of novelties, candy, etc. through vending machines. **Proceeds**—To repay loans, purchase machines, and increase working capital. **Office**—990 Long Beach Rd., Oceanside, N. Y. **Underwriter**—None.

Food Corp. of America
Oct. 5, 1961 filed 50,000 common. **Price**—$2.50. **Business**—The acquisition of enterprises engaged in the food processing industry. **Proceeds**—For repayment of debt and working capital. **Office**—1207 Foshay Tower, Minneapolis, Minn. **Underwriter**—None.

Fram Corp. (1/8-12)
Sept. 1, 1961 filed 50,000 common. **Price**—By amendment. **Business** — The manufacture of oil and air filtration equipment for engines. **Proceeds**—To reimburse Treasury for a recent acquisition. **Office**—105 Pawtucket Ave., East Providence, R. I. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith Inc., N. Y.

★ Franklin Manufacturing Co.
Dec. 22, 1961 filed 349,590 common. **Price**—By amendment. **Business**—Design, manufacture and sale of household freezers, refrigerators, automatic washers and driers. **Proceeds**—For a selling stockholder. **Office**—65-22nd Ave., N. E., Minneapolis. **Underwriter** — Lehman Brothers, N. Y. **Offering**—In late February.

Futura Airlines (1/8-12)
Oct. 20, 1961 ("Reg. A") 60,000 common. **Price** — $5. **Business** — Furnishing of scheduled air transportation service. **Proceeds**—For debt repayment and general corporate purposes. **Office**—8170 Beverly Rd., Los Angeles. **Underwriters**—Raymond Moore & Co., Los Angeles and Pacific Coast Securities Co., San Francisco.

● Gard (Andy) Corp. (3/5-9)
Dec. 15, 1961 filed 200,000 common. **Price** — By amendment. **Business**—Manufacture of molded plastic toys and housewares, and the custom molding of other plastic products. **Proceeds**—For general corporate purposes. **Address**—Leetsdale, Pa. **Underwriter**—Van Alstyne, Noel & Co., N. Y.

Garden State Small Business Investment Co. (1/15)
Oct. 27, 1961 filed 330,000 common. **Price**—$3. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—1180 Raymond Blvd., Newark, N. J. **Underwriter**—Godfrey, Hamilton, Taylor & Co., N. Y.

★ Garrett Corp. (1/16)
Dec. 21, 1961 filed $20,000,000 of debentures due Jan. 1, 1982. **Price**—By amendment. **Business** — A supplier of pressurization and air conditioning equipment for military and commercial aircraft and spacecraft; and the production of gas turbine engines and other aircraft equipment. **Proceeds**—For debt repayment. **Office**—9851 Sepulveda Blvd., Los Angeles. **Underwriter** — Merrill Lynch, Pierce, Fenner & Smith Inc., N. Y.

Gas Hills Uranium Co.
Aug. 29, 1961 filed 847,035 common to be offered for subscription by stockholders on a 1-for-10 basis. **Price**—By amendment. **Business**—The operation of uranium mines and a mill. **Proceeds**—For repayment of loans, acquisitions and working capital. **Office**—224 Ivinson St., Laramie, Wyo. **Underwriter**—None. **Note**—This registration may be withdrawn.

Gateway Chemicals, Inc.
Nov. 22, 1961 filed 100,000 common, of which 50,000 are to be offered by the company and 50,000 by a stockholder. **Price**—By amendment. **Business**—Compounding and packaging of chemical products, primarily detergents. **Proceeds**—For working capital. **Office**—8136 S. Dobson Ave., Chicago. **Underwriter**—Federman, Stonehill & Co., N. Y.

General Corp. of America
Dec. 7, 1961 filed 266,000 common. **Price**—By amendment. **Business**—A holding company for an insurance firm. **Proceeds**—For general corporate purposes. **Office**—672 Hanna Bldg., Cleveland, O. **Underwriter**—Merrill, Turben & Co., Inc., Cleveland.

Glass-Tite Industries, Inc. (1/22-26)
Sept. 27, 1961 filed 185,000 common, of which 135,000 are to be offered by the company and 50,000 by a stockholder. **Price**—By amendment. **Business**—Manufacture of glass-to-metal hermetic seals. **Proceeds**—For purchase of equipment, investment in a subsidiary, research and development, moving expenses, and working capital. **Office**—725 Branch Ave., Providence, R. I. **Underwriter**—Hemphill, Noyes & Co., N. Y.

Global Steel Products Corp.
Nov. 3, 1961 filed 68,000 common. **Price**—By amendment. **Business**—Manufacture of prefabricated metal toilet compartments. **Proceeds**—Debt repayment and general corporate purposes. **Office**—10014 Avenue D, Brooklyn, N. Y. **Underwriter** — Treibick, Seiden & Forsyth, N. Y.

Globe Industries, Inc.
Oct. 30, 1961 filed 200,000 common, of which 100,000 are to be offered by the company and 100,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of miniature electric motors, powdered metal products and devices for the missile and aircraft industries. **Proceeds**—For debt repayment and working capital. **Office**—1784 Stanley Ave., Dayton, Ohio. **Underwriter**—McDonald & Co., Cleveland.

● Gluckin (Wm.) Co. Ltd. (1/10)
Aug. 25, 1961 filed 175,000 common. **Price**—$10. **Business**—The manufacture of ladies' underclothing. **Proceeds**—For repayment of loans and general corporate purposes. **Office**—Bank of Bermuda Bldg., Hamilton, Bermuda. **Underwriter**—Globus, Inc., N. Y. (mgr.)

Golf Courses, Inc.
Aug. 28, 1961 filed 100,000 capital shares. **Price**—$6. **Business**—The company plans to operate a public golf course and a private country club. **Proceeds**—For purchase of land, construction and general corporate purposes. **Office**—1352 Easton Rd., Warrington, Bucks County, Pa. **Underwriter**—Metropolitan Securities, Inc., Philadelphia (mgr.)

Gotham Investment Corp.
Nov. 21, 1961 filed 100,000 common. **Price**—$6. **Business**—Real estate investment. **Proceeds**—For working capital and other corporate purposes. **Office**—1707 H St., N. W., Washington, D. C. **Underwriter**—Rouse, Brewer, Becker & Bryant, Inc., Washington, D. C.

● Gould Paper Co. (1/15-19)
Sept. 28, 1961 filed 140,000 common. **Price**—$11. **Business**—Manufacture of paper. **Proceeds**—Expansion and working capital. **Office**—Lyons Falls, N. Y. **Underwriter**—Amos Treat & Co., Inc., N. Y. **Offering**—In early Jan.

● Graniteville Co.
Dec. 15, 1961 filed 796,716 common. **Price** — By amendment. **Business**—Manufacture of cotton fabrics. **Proceeds**—For acquisition of McCampbell & Co., Inc., a textile commission agent. **Address**—Graniteville, S. C. **Underwriter**—Shearson, Hammill & Co., N. Y. **Offering**—Expected in late February.

Grafco Industries, Inc. (1/8-12)
Sept. 27, 1961 filed 77,250 common. **Price**—$4. **Business**—Manufacture of graphic arts equipment, chemicals and supplies. **Proceeds**—For the operation of a subsidiary, new product development, equipment and other corporate purposes. **Office**—291 Third Ave., N. Y. **Underwriter**—Philips, Rosen and Appel, N. Y.

Great Continental Real Estate Investment Trust
Aug. 3, 1961 filed 300,000 shares of beneficial interest. **Price**—$10. **Business**—Real estate. **Proceeds**—For investment. **Office**—530 St. Paul Place, Baltimore. **Underwriter**—R. Baruch & Co., Inc., Washington, D. C. (mgr.). **Note**—This firm formerly was known as Continental Real Estate Investment Trust.

Great Southern Real Estate Trust
Nov. 30, 1961 filed 320,000 shares of beneficial interest. **Price**—By amendment. **Business**—Real estate investment. **Proceeds**—For general purposes of the Trust. **Office**—200 First National Bank Bldg. Annex, Atlanta. **Underwriter**—Courts & Co., Atlanta.

Greater Pittsburgh Capital Corp.
Nov. 14, 1961 filed 250,000 common. **Price**—$11. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—952 Union Trust Bldg., Pittsburgh. **Underwriters**—Moore, Leonard & Lynch and Singer, Dean & Scribner, Pittsburgh.

● Green (Henry J.) Instrument Co. (1/22-26)
Aug. 24, 1961 filed 140,000 common. **Price**—$2.25. **Business**—The manufacture of precision meteorological instruments. **Proceeds**—For repayment of loans, equipment, salaries and general corporate purposes. **Office**—2500 Shames Dr., Westbury, N. Y. **Underwriter**—N. A. Hart & Co., Bayside, N. Y. **Offering**—In January.

Green Valley Construction Corp.
Nov. 29, 1961 filed 80,000 common. **Price**—$5.25. **Business**—General contracting for landscaping and construction work. **Proceeds**—For debt repayment and other corporate purposes. **Office**—97-36 50th Ave., Corona, N. Y. **Underwriter**—Williamson Securities Corp., N. Y.

Griesedieck Co. (1/9-12)
Sept. 11, 1961 filed 100,000 common to be offered for subscription by stockholders on the basis of one new share for each three held. **Price**—By amendment. **Business** — A closed-end investment company. **Proceeds**—General corporate purposes. **Office**—314 N. B'way, St. Louis. **Underwriter**—Edward D. Jones & Co., St. Louis.

● Guayaco Corp.
Nov. 29, 1961 ("Reg. A") 36,000 common. **Price** — $5. **Business**—Manufacture and sale of hassocks, bench seats and leg rests. **Proceeds**—For debt repayment, equipment and working capital. **Address**—Guayanille, Puerto Rico. **Underwriter**—I. R. E. Investors Corp., Levittown, N. Y. **Offering**—Imminent.

Gulf American Fire & Casualty Co. (1/22-26)
Sept. 28, 1961 filed 226,004 common to be offered for subscription by stockholders on the basis of three new shares for each 10 held. **Price**—$2. **Business**—Writing of fire and casualty insurance. **Proceeds**—To increase capital and surplus. **Office**—25 S. Perry St., Montgomery, Ala. **Underwriter**—None.

★ Haltone Rental Corp.
Dec. 18, 1961 ("Reg. A") 150,000 common. **Price**—$2. **Business**—Rental of furs and fur garments. **Proceeds**—For inventory, equipment, advertising and leasehold improvements. **Office**—350 Seventh Ave., N. Y. **Underwriter**—B. G. Harris & Co., Inc., N. Y.

Hannett Industries, Inc. (1/16)
Aug. 11, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business** — Fabrication of components for missiles, jet

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engines, aircraft landing gears and precision machines. **Proceeds** — Machinery, research and development and working capital. **Office**—40 Sea Cliff Ave., Glen Cove, N. Y. **Underwriter**—Albion Securities Co., Inc., N. Y.

Happy House, Inc. (1/8-12)
July 28, 1961 filed 700,000 common shares . **Price**—$1. **Business**—The marketing of gifts, candies and greeting cards through franchised dealers. **Proceeds**—For equipment, inventory and working capital. **Office**—11 Tenth Ave., S., Hopkins, Minn. **Underwriter**—None.

Hargrove Enterprises, Inc.
Dec. 8, 1961 filed 160,000 common. **Price**—$5. **Business**—Company plans to own and operate an amusement park. **Proceeds**—For property development, advertising, and working capital. **Office**—3100 Tremont Ave., Cheverly, Md. **Underwriter** — Switzer & Co., Inc., Silver Springs, Md.

Harleysville Life Insurance Co. (1/29-2/2)
Sept. 21, 1961 filed 40,000 common. **Price**—$15. **Business**—The writing of all types of life insurance and annuities. **Proceeds**—Working capital. **Office**—Harleysville, Pa. **Underwriter**—None.

● Hartfield Stores, Inc. (1/10)
Sept. 25, 1961 filed $5,000,000 of conv. subord. debentures due 1981. **Price**—By amendment. **Business**—Operation of retail apparel and discount department stores. **Proceeds**—Repayment of debt, expansion and working capital. **Office**—5330 W. 102nd St., Los Angeles. **Underwriters**—Van Alstyne, Noel & Co., N. Y., and Johnston, Lemon & Co., Wash., D. C.

● Hartman Marine Electronics Corp. (1/29-2/2)
Oct. 27, 1961 filed 100,000 common, of which 75,000 are to be offered by the company and 25,000 by a selling stockholder. **Price**—$4. **Business**—Manufacture of marine and mobile communications and electronic equipment and military transmitter-receivers. **Proceeds**—For general corporate purposes. **Office**—30-30 Northern Blvd., Long Island City, N. Y. **Underwriter**—Charles Plohn & Co., N. Y.

Harvey Radio Co., Inc.
Oct. 27, 1961 filed 200,000 common, of which 100,000 are to be offered by the company and 100,000 by a selling stockholder. **Price**—$5. **Business**—Distribution of electronic components including high fidelity, radio and television parts and equipment. **Proceeds**—For working capital and general corporate purposes. **Office**—103 W. 43rd St., N. Y. **Underwriter**—Michael G. Kletz & Co., New York.

Hayden Publishing Co., Inc.
Nov. 29, 1961 filed 150,000 common, of which 20,000 are to be offered by the company and 130,000 by stockholders. **Price**—By amendment. **Business**—Publishes "Electronic Design," a trade magazine in the electronic field. **Proceeds**—For debt repayment. **Office**—850-3rd Ave., N. Y. **Underwriter**—Carl M. Loeb, Rhoades & Co., N. Y. **Offering**—Expected sometime in February.

Herman & Appley, Inc.
Oct. 27, 1961 filed 100,000 class A common. **Price**—By amendment. **Business**—General real estate. **Proceeds**—For investment. **Office**—16 Court St., Brooklyn, N. Y. **Underwriter**—Arnold, Wilkens & Co., N. Y.

● Hickory Industries, Inc.
Aug. 31, 1961 ("Reg. A") 40,000 common. **Price**—$5. **Business**—The manufacture of barbecue machines and allied equipment. **Proceeds**—For equipment, inventory, sales promotion, expansion and working capital. **Office**—10-20 47th Rd., Long Island City, N. Y. **Underwriter**—J. B. Coburn Associates, Inc., N. Y. **Offering**—Imminent.

High Temperature Materials, Inc. (1/8-12)
Sept. 28, 1961 filed 120,000 common. **Price**—By amendment. **Business**—Manufacture of products from test models. **Proceeds**—For equipment, research and development, leasehold improvements, repayment of debt and working capital. **Office**—130 Lincoln St., Brighton, Mass. **Underwriter**—L. F. Rothschild & Co., N. Y.

Hill Street Co.
Oct. 16, 1961 filed 2,265,138 common to be offered for subscription by stockholders of Union Bank of California on a share-for-share basis. **Price**—$3. **Business**—A management investment company. **Proceeds**—For investment. **Office**—760 S. Hill St., Los Angeles. **Underwriter**—None.

Hillside Metal Products, Inc.
Dec. 15, 1961 filed 300,000 common, of which 200,000 shares are to be offered by the company and 100,000 shares by stockholders. **Price**—$6. **Business**—Manufacture of steel office furniture. **Proceeds**—For debt repayment, plant expansion and working capital. **Office**—300 Passaic St., Newark, N. J. **Underwriters** — Milton D. Blauner & Co. and M. L. Lee & Co., Inc., N. Y.

Honig's-Parkway, Inc. (2/13-16)
Dec. 1, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Company owns and operates three discount stores in the Bronx selling bicycles, electric trains, toys, household appliances, etc. **Proceeds**—For general corporate purposes. **Office** — 2717-25 White Plains Rd., Bronx, N. Y. **Underwriter**—Richard Bruce & Co., Inc. New York.

Honora, Ltd. (2/26-3/2)
Nov. 29, 1961 ("Reg. A") 76,500 common. **Price**—$3.75. **Business**—Purchase of cultured pearls in Japan and their distribution in the U. S. **Proceeds**—For general corporate purposes. **Office**—42 W. 48th St., N. Y. **Underwriter**—Sunshine Securities, Inc., Rego Park, N. Y.

Hoosier Soil Service, Inc. (1/8-12)
Nov. 28, 1961 ("Reg. A") 41,939 common, of which 11,939 are to be offered to preferred and common stockholders and 30,000 to the public. **Price**—$6.75. **Business**—Processing and marketing of fertilizers. **Proceeds**—For redemption of preferred stock and working capital. **Address**—Bluffton, Ind. **Underwriter**—Patterson Securities & Investment Co., Inc., Fort Wayne, Ind.

House of Westmore, Inc.
Oct. 27, 1961 filed 150,000 common. **Price**—$4. **Business** Sale and distribution of cosmetics. **Proceeds**—For selling stockholders. **Office**—120 E. 16th St., N. Y. **Underwriters**—Brand, Grumet & Seigel, Inc. and Kesselman & Co., Inc., N. Y. **Offering**—Expected in January.

Hyatt Corp.
Oct. 20, 1961 filed 350,000 capital shares. **Price** — $10. **Business**—Operates a chain of motor hotels. **Proceeds**—For debt repayment and general corporate purposes. **Office** — 1290 Bayshore Highway, Burlingame, Calif. **Underwriters**—J. Barth & Co., San Francisco and Shearson, Hammill & Co., N. Y.

Hydra-Loc, Inc. (1/29-2/2)
Oct. 10, 1961 ("Reg. A") 60,000 common. **Price**—$2. **Business**—Design, development and manufacture of a brake control. **Proceeds**—For debt repayment and general corporate purposes. **Office**—101 Park Ave., Hudson, N. Y. **Underwriter**—McLaughlin, Kaufman & Co., N. Y.

Hygiene Industries, Inc. (1/8-12)
Sept. 20, 1961 filed 200,000 common. **Price**—$5. **Business**—Manufacturer of shower and window curtains. **Proceeds**—For selling stockholders. **Office**—261 5th Ave., N. Y. **Underwriter**—Milton D. Blauner & Co., N. Y.

★ I. F. C. Collateral Corp.
Dec. 22, 1961 filed $1,500,000 of 10% registered subordinated debentures to be offered in five series due 1966 to 1970. **Price**—At par ($1,000). **Business**—Purchase and sale of real estate mortgages. **Proceeds**—For investment. **Office**—630 Fifth Ave., N. Y. **Underwriter**—None.

● Ihnen (Edward H.) & Son, Inc.
May 16, 1961 filed 75,000 shares of common stock. **Price**—$5 per share. **Business**—The construction of public and private swimming pools and the sale of pool equipment. **Proceeds**—To reduce indebtedness, to buy equipment, and for working capital. **Office**—Montvale, N. J. **Underwriter**—Amos Treat & Co., Inc., N. Y. **Note** — This registration was withdrawn.

● Illinois Capital Investment Corp.
Sept. 19, 1961 filed 250,000 common. **Price**—By amendment. **Business**—A small business investment company. **Office**—20 North Wacker Dr., Chicago, Ill. **Underwriter**—Blair & Co., Inc., N. Y. **Offering**—Imminent.

Imac Food Systems, Inc.
Nov. 17, 1961 ("Reg. A") 100,000 common. **Price** — $3. **Business**—Operation of restaurants. **Proceeds**—For debt repayment, expansion and working capital. **Office**—711 Branch Ave., Providence, R. I. **Underwriter**—Freeman & Co., Brighton, Mass.

★ Independent Telephone Corp.
Dec. 22, 1961 filed 400,000 common. **Price**—By amendment. **Business**—A telephone holding company. **Proceeds**—For repayment and advances to subsidiaries. **Office**—25-27 South St., Dryden, N. Y. **Underwriter**—Burnham & Co., N. Y.

Industrial Finance & Thrift Corp.
Oct. 30, 1961 filed $2,000,000 of 6% subordinated debentures due 1974. **Price**—At par. **Business**—A consumer finance firm. **Proceeds**—For repayment of debt and expansion. **Office**—339 Carondelet St., New Orleans, La. **Underwriter**—None.

Industrial Gauge & Instrument Co., Inc.
Nov. 9, 1961 ("Reg. A") 95,250 common. **Price**—$3. **Business**—Purchase, distribution and sale of industrial gauges, thermometers, etc. **Proceeds**—For debt repayment and working capital. **Office**—1403-07 E. 180 St., Bronx, N. Y. **Underwriter**—R. F. Dowd & Co., Inc., N. Y.

★ Industry Capital Corp.
Dec. 26, 1961 filed 500,000 common. **Price**—$15. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office**—208 S. La Salle St., Chicago. **Underwriter**—A. C. Allyn & Co., Chicago.

Information Systems, Inc.
Nov. 13, 1961 filed 1,266,000 common to be offered to preferred and common stockholders of Ling-Temco-Vought, Inc. (parent) of record Nov. 30, 1961. **Price**—By amendment. **Business**—Furnishes industrial information, handling and control systems. **Proceeds** — For selling stockholders. **Office**—10131 National Blvd., Los Angeles. **Underwriter**—None.

Inland Underground Facilities, Inc.
Dec. 7, 1961 filed 100,000 common. **Price** — $10. **Business**—Mining of limestone and the operation of underground freezer and dry warehousing facilities. **Proceeds**—For debt repayment, equipment and other corporate purposes. **Office**—6500 Inland Dr., Kansas City, Kansas. **Underwriter**—Scherck, Richter Co., St. Louis.

Inpak Systems, Inc. (1/29-2/2)
Oct. 25, 1961 filed 90,000 common. **Price**—$4.25. **Business**—Designs, develops, sells and leases automatic packaging machines. **Proceeds**—For debt repayment and general corporate purposes. **Office**—441 Lexington Ave., N. Y. **Underwriters**—Stearns & Co. and Joseph Nadler & Co., N. Y.

International Management Corp.
Aug. 21, 1961 ("Reg. A") 100,000 common (par $1). **Price**—$3. **Proceeds**—For loans to subsidiaries and working capital. **Office**—7510 B. Granby St., Norfolk, Va. **Underwriter**—J. B. McLean & Co., Inc., Norfolk. **Offering**—Imminent.

International Mech-Tronics, Inc. (1/8-12)
Sept. 1 1961 ("Reg. A") 120,000 common. **Price**—$2. **Business**—The manufacture of precision instruments. **Proceeds**—For equipment and working capital. **Office**—176 E. 15th St., Paterson, N. J.—**Underwriter**—Theodore Arrin & Co., Inc., N. Y. **Note**—This firm formerly was known as Electronic International, Inc.

International Stretch Products Inc.
Nov. 27, 1961 filed 300,000 common. **Price**—By amendment. **Business**—Production and sale of extruded rubber thread and braided elastics. **Proceeds**—For debt repayment and general corporate purposes. **Office**—148 Madison Ave., N. Y. **Underwriter** — Burnham & Co., N. Y. **Offering**—Expected in early February.

Interphoto Corp. (1/22-26)
Sept. 15, 1961 filed 200,000 class A common. **Price**—$9. **Business** — The wholesale distribution of photographic and sound equipment and supplies. **Proceeds**—For the selling stockholders. **Office** — 45-17 Pearson St., Long Island City, N. Y. **Underwriters**—C. E. Unterberg, Towbin Co., and Arnhold & S. Bleichroeder, Inc., N. Y.

Interstate Hosts, Inc. (1/15-19)
Oct. 2, 1961 filed $2,550,000 of con. subord. debentures due 1981 to be offered for subscription by stockholders on the basis of $100 of debentures for each 33 shares held. **Price**—At par. **Business**—The operation of restaurants, other food establishments and gift shops. **Proceeds**—For expansion. **Office**—11255 W. Olympic Blvd., Los Angeles. **Underwriters**—Glore, Forgan & Co., N. Y. and H. M. Byllesby & Co., Inc., Chicago.

Interworld Film Distributors, Inc. (1/29-2/2)
Sept. 29, 1961 filed 106,250 common. **Price**—$4. **Business** Theatrical distribution and co-production of foreign and domestic feature films. **Proceeds**—For acquisition, co-production, dubbing, adaptation and distribution of films, and working capital. **Office**—1776 B'way, N. Y. **Underwriters**—General Securities Co., Inc., and S. Kasdan & Co., Inc., N. Y.

Jackson Optical, Inc. (1/22-25)
Oct. 30, 1961 ("Reg. A") 75,000 common. **Price**—$2. **Business**—Wholesale distribution of optical goods. **Proceeds**—For expansion and working capital. **Office**—64 N. Park Ave., Rockville Centre, N. Y. **Underwriter**—Stan-Bee & Co., Washington, D. C.

(The) Japan Fund, Inc. (1/22-26)
Oct. 19, 1961 filed 2,000,000 common. **Price** — $12.50. **Business**—A diversified investment company. **Office**—25 Broad St., N. Y. **Proceeds**—For investment in Japanese securities. **Underwriters**—Bache & Co., and Paine, Webber, Jackson & Curtis, N. Y., and Nikko Securities Co., Ltd., Tokyo, Japan.

Jayark Films Corp. (1/22-26)
Aug. 24, 1961 filed 72,000 common, of which 50,000 are to be offered by the company and 22,000 by stockholders. **Price**—By amendment. **Business**—The distribution of motion picture and television films. **Proceeds**—For production of films and working capital. **Office**—15 E. 48th St., N. Y. **Underwriter**—Pacific Coast Securities Co., San Francisco.

Jaylis Industries, Inc.
Oct. 18, 1961 filed $850,000 of 6½% subord. debentures due 1971 and 212,500 class A common shares to be offered in units of one $100 debenture and 25 class A shares. **Price**—$200. **Business**—Manufactures patented traversing screens for use as window coverings, room dividers, folding doors, etc. **Proceeds**—For debt repayment and general corporate purposes. **Office**—514 W. Olympic Blvd., Los Angeles. **Underwriter**—D. E. Liederman & Co., Inc., N. Y. **Offering**—In January.

★Joanell Laboratories, Inc.
Dec. 21, 1961 filed 114,500 common, of which 82,500 are to be offered by the company and 32,000 by stockholders. **Price** — By amendment. **Business** — Development of simulated weapons training devices for U. S. Armed Forces and the manufacture of electronic control equipment. **Proceeds**—For general corporate purposes. **Office**—102 Dorsa Ave., Livingston, N. J. **Underwriter**—Searight, Ahalt & O'Connor, Inc., N. Y.

● Johnson Electronics, Inc. (1/15-19)
Sept. 8, 1961 filed 125,000 capital shares. **Price**—By amendment. **Business**—The design and production of special electronic components for the commercial and military market. **Proceeds**—For the repayment of debt, and working capital. **Address**—Box 7, Casselberry, Fla. **Underwriter**—Warner, Jennings, Mandel & Longstreth, Philadelphia.

Jomar Plastics, Inc.
See Ripley Industries, Inc., below.

Jorn's Greeting Card Co., Inc. (1/10)
Sept. 28, 1961 filed 110,000 common. **Price**—By amendment. **Business**—Manufacture and sale of greeting cards. **Proceeds**—For repayment of loans, expansion and working capital. **Office**—106-11 157th St., Jamaica, N. Y. **Underwriter**—Godfrey Hamilton, Taylor & Co., Inc., N. Y.

Joyce Teletronics Corp.
Aug. 31, 1961 ("Reg. A") 55,000 common. **Price** —$5. **Business**—The manufacture of electronic instruments used in communication. **Proceeds**—For working capital, new products and repayment of loans. **Office**—20 Madison Ave., Hicksville, N. Y. **Underwriter**—General Securities Co., Inc., N. Y. **Offering**—Indefinitely postponed.

Kann-Ellert Electronics, Inc.
Oct. 24, 1961 filed 108,000 common. **Price**—$6.50. **Business**—Wholesaling of electronic parts and components and equipment. **Proceeds**—For debt repayment and general corporate purposes. **Office** — 2050 Rockrose Ave., Baltimore. **Underwriter**—Rubin, Rennert & Co., Inc., N.Y.

Keeko, Inc.
Dec. 1, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Company plans to establish service stations and vending machine outlets in the Denver area. **Proceeds**—For debt repayment and general corporate purposes. **Office**—4970 Jackson St., Denver. **Underwriter**—Amos C. Sudler & Co., Denver.

Keller Corp.
June 29, 1961 filed $1,200,000 of 6½% convertible subord. debentures due 1968. **Price**—At 100%. **Business**—Development of land, construction of homes and related activities in Florida. **Proceeds**—Repayment of debt, acquisition of Yetter Homes, Inc., and general corporate purposes. **Office**—101 Bradley Place, Palm Beach, Fla. **Underwriter**—Casper Rogers & Co., Inc., N. Y. **Note**—This registration may be withdrawn.

Kelly Girl Service, Inc. (1/8-12)
Oct. 27, 1961 filed 100,000 common, of which 25,000 are to be offered by the company and 75,000 by a stockholder. **Price**—By amendment. **Business**—Furnishes temporary office clerical services. **Proceeds**—For working capital. **Office**—13314 Woodward Ave., Highland Park, Mich. **Underwriter**—Dean Witter & Co., San Francisco.

Kiddie Rides, Inc. (1/10)
Sept. 12, 1961 filed $1,000,000 of 7% convertible subordinated debentures due 1971 and 30,000 common to be offered in units of $1,000 debentures and 30 of common. **Price**—By amendment. **Business**—The operation of coin operated children's amusement equipment. **Proceeds**—For repayment of loans, equipment and general corporate purposes. **Office**—2557 W. North Ave., Chicago. **Underwriter**—Paul C. Kimball & Co., Chicago.

Kine Camera Co. Inc.
Nov. 21, 1961 filed 75,000 common. **Price**—$5. **Business**—Importing and distribution of cameras, binoculars and photographic equipment. **Proceeds**—For debt repayment and working capital. **Office**—889 Broadway, N. Y. **Underwriter**—Underhill Securities Corp., N. Y. **Offering**—Expected in February.

● **King Louie Bowling Corp. (1/29-2/2)**
Sept. 27, 1961 filed 325,000 common. **Price**—$3. **Business**—Operates a chain of bowling centers. **Proceeds**—Repay debt and for other corporate purposes. **Office**—8788 Metcalfe Rd., Overland Park, Kan. **Underwriter**—George K. Baum & Co., Kansas City, Mo.

● **Knickerbocker Toy Co., Inc. (1/8-12)**
Sept. 27, 1961 filed 100,000 common. **Price**—By amendment. **Business**—Design and manufacture of toys. **Proceeds**—For working capital. **Office**—401 Butler St., Brooklyn, N. Y. **Underwriters** — Netherlands Securities Co., Inc., and Herbert Young & Co., Inc., N. Y.

● **Kogel, Inc.**
Dec. 8, 1961 filed 100,000 common. **Price**—$1. **Business**—A holding company for three subsidiaries in the wall and floor coating business. **Proceeds**—For product development, advertising, and working capital. **Office**—26-32 Second St., Long Island City, N. Y. **Underwriter**—Globus, Inc. **Offering**—Expected in late March.

● **Kollmorgen Corp. (1/29-2/2)**
Nov. 9, 1961 filed 100,000 common, of which 40,000 are to be sold by the company and 60,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of optical equipment. **Proceeds**—For debt repayment. **Office**—347 King St., Northampton, Mass. **Underwriter**—Putnam & Co., Hartford.

Koster-Dana Corp. (1/5)
Sept. 28, 1961 filed 70,000 common. **Price**—$5. **Business**—Publishing of informational booklets for financial, commercial and industrial organizations. **Proceeds**—Debt repayment and working capital. **Office**—76 Ninth Ave., N. Y. **Underwriter**—Gianis & Co., N. Y.

● **Kraft Planned Homes, Inc.**
Dec. 14, 1961 filed 200,000 common. **Price**—$5. **Business**—A holding company in "shell homes" field. **Proceeds**—For debt repayment and general corporate purposes. **Office**—126 W. Broadway, Girard, Ohio. **Underwriter**—Best & Garey & Co., Inc., Washington, D. C. **Offering**—Expected sometime in March.

● **Kratter Corp.**
Sept. 27, 1961 filed $100,000,000 of 6% subord. debentures due 1976 (with attached five-year warrants to purchase 2,000,000 class A common) to be offered to holders of class A and class B shares at the rate of $1,000 of debentures for each 50 shares held. **Price**—$1,000. **Business**—Real Estate investment. **Proceeds**—Repayment of debt, investment, and corporate purposes. **Office**—521 5th Ave., N. Y. **Underwriter**—None. **Note**—This registration was withdrawn.

● **Krylon, Inc. (1/29-2/2)**
Nov. 15, 1961 filed 250,000 common. **Price**—By amendment. **Business** — Manufacture of aerosol spray paints, protective coatings and other aerosol products. **Proceeds**—For selling stockholders. **Office**—Norristown, Pa. **Underwriter**—Eastman Dillon, Union Securities & Co., N. Y.

L. L. Drug Co., Inc. (1/16)
July 26, 1961 filed 100,000 common shares. **Price**—$4.50. **Business** — The manufacture of pharmaceuticals. **Proceeds**—For repayment of a loan, purchase of equipment, research and development, advertising and working capital. **Office**—1 Bala Ave., Bala-Cynwyd, Pa. **Underwriter**—Stevens Investment Co., Bala-Cynwyd, Pa.

Laboratory Procedures, Inc. (1/15-19)
Sept. 29, 1961 ("Reg. A") 100,000 capital shares. **Price**—$2.50. **Proceeds**—For debt repayment, equipment, advertising, leases, and working capital. **Office** — 2701 Stocker St., Los Angeles. **Underwriter**—Pacific Coast Securities Co., San Francisco.

★ **Layne & Bowler Pump Co.**
Dec. 22, 1961 filed 108,666 capital shares. **Price** — By amendment. **Business**—Manufacture and sale of vertical turbine pumps and the sale of a domestic water system equipment manufactured by a subsidiary. **Proceeds**—For selling stockholders. **Office**—2943 Vail Ave., Los Angeles. **Underwriter**—Crowell, Weeden & Co., Los Angeles.

Leader-Durst Corp.
Dec. 1, 1961 filed 405,000 class A common. **Price**—$5. **Business**—Real estate. **Proceeds**—For repayment of debt. **Office**—41 E. 42nd St., N. Y. **Underwriter**—None.

Lehigh Press, Inc.
Nov. 3, 1961 filed 155,000 common, of which 45,000 are to be offered by the company and 110,000 by stockholders. **Price**—By amendment. **Business**—A commercial printer. **Proceeds**—For a new plant, moving expenses and equipment. **Office**—2400 E. Huntingdon St., Philadelphia. **Underwriter**—Harrison & Co., Philadelphia.

★ **Lembo Corp.**
Dec. 21, 1961 filed 100,000 common. **Price**—$3.50. **Business**—Manufactures steel re-inforced concrete utilities, sanitary structures, fallout shelters and play sculptures. **Proceeds**—For debt repayment, sales promotion and working capital. **Office**—145 W. 11th St., Huntington Station, L. I., N. Y. **Underwriter**—Blank, Lieberman & Co., Inc., N. Y.

Leslie (Joyce), Inc. (1/15-19)
Sept. 28, 1961 filed 100,000 common. **Price**—$5.50. **Business**—Retailing of women's apparel. **Proceeds**—For expansion, inventories and working capital. **Office**—850 Flatbush Ave., Brooklyn. **Underwriter**—Seymour, Bernard & DuBoff, Inc., N. Y.

● **Lido Corp. (1/29-2/2)**
Aug. 29, 1961 ("Reg. A") 84,000 common. **Price**—$3.25. **Business**—The manufacture of toys, games and novelties. **Proceeds**—For new equipment, advertising, and repayment of loans. **Office**—349 Rider Ave., Bronx 51, N. Y. **Underwriter** — Flomenhaft, Seidler & Co., Inc., N. Y.

Linco International, Inc.
Nov. 15, 1961 ("Reg. A") 75,000 common. **Price** — $4. **Business**—Operation of 20 departments in closed-door membership department stores. **Proceeds**—For general corporate purposes. **Office**—1510 Page Industrial Blvd., Overland, Mo. **Underwriter**—R. L. Warren Co., St. Louis.

Lincoln Fund, Inc. (1/16-19)
March 30, 1961 filed 951,799 shares of common stock **Price** — Net asset value plus a 7% selling commission. **Business** — A non-diversified, open-end, management-type investment company whose primary investment objective is capital appreciation and, secondary, income derived from the sale of put and call options. **Proceeds**—For investment. **Office**—300 Main St., New Britain, Conn. **Distributor**—Horizon Management Corp., New York.

Lincoln Income Life Insurance Co.
Oct. 31, 1961 filed 45,000 common. **Price** — By amendment. **Business**—A life insurance company. **Proceeds**—For the selling stockholder. **Office**—Louisville, Ky. **Underwriters**—J. C. Bradford & Co., Nashville, Tenn. and W. L. Lyons & Co., Louisville, Ky.

● **Litho-Tone, Inc.**
Nov. 17, 1961 filed $247,500 of convertible subordinated 7% debentures due 1971 (with attached warrants) and 55,000 common shares to be offered in units consisting of one $4.50 debenture (with one warrant) and one common share. **Price** — $6 per unit. **Business** — Lithography printing and the manufacture of offset printing plates. **Proceeds**—For general corporate purposes. **Office**—333 Hudson St., N. Y. **Underwriter**—Continental Bond & Share, Maplewood, N. J. **Note**—This registration was withdrawn.

Lithoid, Inc. (2/26-3/2)
Nov. 22, 1961 filed 120,000 common. **Price**—$3. **Business**—Development and manufacture of equipment and systems for the photographic data processing industry. **Proceeds**—For general corporate purposes. **Office**—232 Cleveland Ave., Highland Park, N. J. **Underwriter**—Godfrey, Hamilton, Taylor & Co., Inc., N. Y.

Little Ruffy Togs, Inc.
Nov. 29, 1961 filed 165,000 common. **Price**—By amendment. **Business** — Manufacture and sale of children's clothing. **Proceeds** — For debt repayment and working capital. **Office**—112 W. 34th St., N. Y. **Underwriters**—Glass & Ross, Inc. and Samson, Graber & Co., Inc., N. Y.

Lomart Perfected Devices, Inc. (1/15-19)
Sept. 14, 1961 filed 100,000 common. **Price**—$5. **Business**—The manufacture of pool filters and accessories and tools, dies, metal stampings, etc. **Proceeds**—For moving expenses, purchase of equipment, promotion of a new product and working capital. **Office**—199 Bleecker St., Brooklyn, N. Y. **Underwriter**—None.

Lunar Enterprises, Inc. (2/5-9)
Aug. 31, 1961 filed 125,000 common. **Price**—$5.75. **Business**—The production of television films. **Proceeds**—For filming and production and working capital. **Office**—1501 Broadway, N. Y. **Underwriter**—Ehrlich, Irwin & Co., Inc., 50 Broadway, N. Y.

MRM Co., Inc.
Nov. 29, 1961 ("Reg. A") 150,000 common. **Price**—$2. **Business**—Design and manufacture of automatic filling machines and related equipment. **Proceeds**—For debt repayment and working capital. **Office** — 191 Berry St., Brooklyn, N. Y. **Underwriter**—A. J. Gabriel Co., N. Y.

★ **Macco Realty Co.**
Dec. 21, 1961 filed $4,000,000 of conv. subord. debentures due 1977; also 150,000 common shares. **Price**—By amendment. **Business**—Construction and sale of homes. **Proceeds**—For debt repayment and general corporate purposes. **Office**—7844 E. Rosecrans Ave., Paramount, Calif. **Underwriters**—Kidder, Peabody & Co., N. Y. and Mitchum, Jones & Templeton, Los Angeles.

MacLevy Associates, Inc. (1/29-2/2)
July 20, 1961 ("Reg. A") 150,000 common shares (par one cent). **Price**—$2. **Business**—The distribution of health, exercise and slenderizing equipment. **Proceeds**—For repayment of loans, equipment, new products, sales promotion and advertising, plant removal and working capital. **Office**—189 Lexington Ave., N. Y. 16, N. Y. **Underwriter**—Continental Bond & Share Corp., Maplewood, N.J.

Macoid Industries, Inc. (1/8-12)
Sept. 28, 1961 filed 300,000 common, of which 100,000 are to be offered by the company and 200,000 by stockholders. **Price**—$5. **Business**—Molding of plastic products for the automobile, electrical utility and telephone industries. **Proceeds**—For working capital. **Office**—12340 Cloverdale, Detroit. **Underwriter**—Charles Plohn & Co., N. Y.

Magazines For Industry, Inc.
Aug. 2, 1961 filed 135,000 common shares. **Price** — By amendment. **Business**—The publishing of business periodicals. **Proceeds**—For promotion, a new publication and working capital. **Office**—660 Madison Ave., New York. **Underwriter**—To be named.

Mann Research Laboratories, Inc. (1/2-5)
Sept. 21, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Sale of scientifically tested biochemicals and pharmaceuticals. **Proceeds**—For new quarters, equipment, a laboratory, inventories and working capital. **Office**—136 Liberty St., N. Y. **Underwriter**—L. D. Sherman & Co., N. Y.

Maric Design & Mfg. Corp.
Nov. 14, 1961 ("Reg. A") 55,000 common. **Pirce**—$4. **Business** — Manufacture of waste water filters and filtering systems. **Proceeds** — For debt repayment and working capital. **Office**—610 W. 18th St., Hialeah, Fla. **Underwriters**—Shawe & Co., Inc. and Terrio & Co., Inc., Washington, D. C.

Markite Corp. (1/22-26)
Oct. 26, 1961 filed 100,000 common. **Price**—By amendment. **Business**—Development, design, manufacture and sale of precision electromechanical devices. **Proceeds**—For debt repayment and working capital. **Office**—155 Waverly Place, N. Y. **Underwriter**—C. E. Unterberg, Towbin Co., N. Y.

Marks Polarized Corp. (1/22-26)
June 27, 1961 filed 95,000 common shares. **Price** — By amendment. **Proceeds** — For expansion, acquisition of new facilities and other corporate purposes. **Office**—153-16 Tenth Ave., Whitestone, N. Y. **Underwriters**—Ross, Lyon & Co., Inc. (mgr.), Glass & Ross, Inc., and Globus, Inc., N. Y. C.

Marlene Industries Corp.
Aug. 29, 1961 filed 225,000 common, of which 150,000 are to be offered by the company and 75,000 by stockholders. **Price**—$7. **Business**—The manufacture of ladies' wear. **Proceeds**—For working capital. **Office**—141 W. 36th St., N.Y.C. **Underwriter**—Bernard M. Kahn & Co., Inc., N.Y.C. **Offering**—Imminent.

Marquette Capital Co.
Dec. 1, 1961 filed 250,000 common. **Price**—By amendment. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office**—91 South Seventh St., Minneapolis, Minn. **Underwriter**—None.

● **Marshall Electronics Co. (1/10)**
Nov. 1, 1961 ("Reg. A") 100,000 common. **Price** — $3. **Business**—Manufacture of rectifiers, regulators, thermocouple tubes, and thyratrons. **Proceeds**—For expansion, research and development, and working capital. **Office**—54 Summer Ave., Newark, N. J. **Underwriter**—Richard Bruce & Co., Inc., N. Y.

Masury-Young Co.
Dec. 4, 1961 filed 100,000 common. **Price**—$6. **Business**—Manufactures commercial and industrial floor maintenance products. **Proceeds** — For repayment of debt, equipment, and other corporate purposes. **Office**—76 Roland St., Boston. **Underwriter**—Townsend, Dabney & Tyson, Boston.

● **Mathias (A. L.) Co.**
Nov. 30, 1961 filed 200,000 common, of which 125,000 are to be offered by the company and 75,000 by a selling stockholder. **Price**—By amendment. **Business**—Operates private cafeterias and public restaurants. **Proceeds**—For debt repayment and general corporate purposes. **Office**—25 E. Lee St., Baltimore. **Underwriter**—Stein Bros. & Boyce, Baltimore. **Offering**—Expected in March.

● **Maust Coal & Coke Corp. (1/15-19)**
Nov. 13, 1961 filed 250,000 common. **Price**—By amendment. **Business**—Mining of bituminous coal. **Proceeds**—For debt repayment and purchase of equipment. **Office**—530 Fifth Ave., N. Y. **Underwriter**—Eastman Dillon, Union Securities & Co., N. Y.

Maxam, Inc.
Oct. 26, 1961 filed 200,000 common, of which 100,000 shares are to be offered by the company and 100,000 shares by stockholders. **Price**—By amendment. **Business**—Operation of self-service discount department stores. **Proceeds**—For debt repayment and working capital. **Office**—525 Hyde Park Ave., Roslindale, Mass. **Underwriter**—McDonnell & Co., Inc., N. Y.

McCall Corp. (1/29- 2/2)
Dec. 1, 1961 filed $9,983,000 of convertible subordinated debentures due Feb. 1, 1992, to be offered for subscription by common stockholders at the rate of $100 of debentures for each 13 shares held. **Price**—By amendment. **Business** — Magazine publishing. **Proceeds** — For possible expansion and diversification, and working capital. **Office**—230 Park Ave., N. Y. **Underwriter**—Goldman, Sachs & Co.

● **Medex, Inc.**
Sept. 27, 1961 filed 110,000 common. **Price**—By amendment. **Business**—Development and manufacture of a limited line of hospital and surgical supplies. **Proceeds**—For construction, inventory, research and working capital. **Office**—1488 Grandview Ave., Columbus, Ohio. **Underwriter**—Globus, Inc., N. Y. **Offering**—In February.

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Medical Fund, Inc.
Oct. 26, 1961 filed 2,000,000 capital shares. **Price**—$10. **Business**—A closed-end diversified investment company. **Proceeds**—For investment in firms serving modern medicine. **Address** — New York, N. Y. **Underwriter**—Fleetwood Securities Corp. of America, 44 Wall St., N. Y.

Medical Industries Fund, Inc.
Oct. 23, 1961 filed 25,000 common. **Price**—$10. **Business**—A closed-end investment company which plans to become open-end. **Proceeds**—For investment in the medical industry and capital growth situations. **Office**—677 Lafayette St., Denver. **Underwriter**—Medical Associates, Inc., Denver.

Medical Video Corp.
Nov. 13, 1961 filed 250,000 common. **Price**—$10. **Business**—Manufacture of medical electronic equipment. **Proceeds**—For general corporate purposes. **Office**—Studio City, Calif. **Underwriter**—Financial Equity Corp., Los Angeles.

Melnor Industries, Inc. (1/15-19)
Nov. 15, 1961 filed 152,500 common, of which 52,500 are to be offered by the company and 100,000 by stockholders. **Price** — $11. **Business** — Manufacture of lawn and garden sprinkling equipment. **Proceeds**—For general corporate purposes. **Office**—Moonachie, N. J. **Underwriter**—Francis I. duPont & Co., N. Y.

Metallurgical International, Inc. (1/15-19)
Sept. 26, 1961 filed 145,000 class A. **Price**—$3. **Business**—Reprocessing and manufacturing of rare refractory metals. **Proceeds**—Repay debt, taxes, purchase equipment, and working capital. **Office**—174 Main Ave., Wellington, N. J. **Underwriter**—Mortimer B. Burnside & Co., N. Y.

Metalfab, Inc.
Oct. 27, 1961 filed $600,000 of 6% s. f. conv. debentures due 1976 and 100,000 common (of which 20,000 shares are to be offered by the company and 80,000 by stockholders). **Price**—By amendment. **Business**—Manufactures products and parts of the automotive and electrical industries. **Proceeds**—For debt repayment and working capital. **Office**—First and Elm Sts., Beaver Dam, Wis. **Underwriters**—Cruttenden, Podesta & Co., Chicago and Splaine & Frederic, Inc., Milwaukee. **Offering**—Expected sometime in January.

Metatronics Manufacturing Corp. (1/22-26)
Oct. 13, 1961 filed 100,000 common. **Price**—$2. **Business**—Manufacture of electronic cases and containers, and precision sheet metal products. **Proceeds**—For debt repayment, and other corporate purposes. **Office** — 111 Bloomingdale Rd., Hicksville, N. Y. **Underwriter**—Frank Karasik & Co., N. Y.

Meteor Enterprises, Inc.
Oct. 31, 1961 ("Reg. A") 100,000 common. **Price**—$3 **Business** — Manufacture of electric barbecue motors, igniters, etc. **Proceeds**—For debt repayment and general corporate purposes. **Office**—5356 Riverton Ave., North Hollywood, Calif. **Underwriter**—Kolb & Lawrence, Inc., Las Vegas, Nev.

Metropolitan Acceptance Corp.
Oct. 2, 1961 filed $300,000 of 6% subordinated convertibles due 1967 and 60,000 common shares to be offered in units consisting of $100 of debentures and 20 common shares. **Price**—$150 per unit. **Business**—Financing of retail sales. **Proceeds**—For working capital. **Office**—5422 Western Ave., Chevy Chase, Md. **Underwriter** — R. Baruch & Co., Washington, D. C.

★ **Metropolitan Realty Trust**
Dec. 20, 1961 filed 1,000,000 shares of beneficial interest. **Price**—$6.50. **Business**—A real estate investment trust. **Proceeds**—For general corporate purposes. **Office**—1700 K St., N. W., Washington, D. C. **Underwriter**—Eisele & King, Libaire, Stout & Co., N. Y.

★ **Michaels (J.), Inc.**
Dec. 20, 1961 filed 103,000 common, of which 20,600 are to be offered by the company and 82,400 by stockholders. **Price**—By amendment. **Business**—Retail sale of furniture, major appliances, bedding, etc., through a chain of four stores. **Proceeds**—For construction of a new store. **Office**—182 Smith St., Brooklyn, N. Y. **Underwriter**—L. F. Rothschild & Co., N. Y.

• **Micro-Lectric, Inc. (1/8-12)**
June 12, 1961 ("Reg. A") 55,000 common shares (par 10 cents). **Price**—$4. **Business**—The manufacture and design of potentiometers used in computers, ground control guidance systems and missiles. **Proceeds**—For tooling and production; repayment of loans; equipment; advertising; research and development and working capital. **Office**—19 Debevoise Avenue, Roosevelt, N. Y. **Underwriter**—Underhill Securities Corp., N. Y.

★ **Mideast Aluminum Corp.**
Dec. 19, 1961 ("Reg. A") 40,000 common. **Price**—To stockholders, $6.75; to public, $7.50. **Business**—Production of aluminum extrusions. **Proceeds**—For general corporate purposes. **Address**—U. S. 130, Dayton, N. J. **Underwriter**—None.

Midwest Medical Investment Trust
Dec. 11, 1961 ("Reg. A") 15,000 shares of beneficial interests. **Price**—$20. **Business**—A real estate investment trust which plans to own intefests in medical office buildings, hospitals, etc. **Proceeds**—For working capital. **Address**—Van West, Ohio. **Underwriter**—J. Allen McMeen & Co., Fort Wayne, Ind.

Midwestern Investment Corp.
Oct. 16, 1961 filed 200,000 common. **Price**—$2. **Business**—Company plans to engage in the commercial finance and factoring business. **Proceeds**—General corporate purposes. **Office**—1730 K St., N. W., Washington, D. C. **Underwriter**—Affiliated Underwriters, Inc.

Milgray Electronics, Inc. (1/8-12)
Sept. 26, 1961 filed 166,667 common. **Price**—By amendment. **Business**—Wholesaler and distributor of electronic parts. **Office**—136 Liberty St., N. Y. **Underwriter**—Marron, Sloss & Co., Inc., N. Y.

Miller Brothers Hat Co., Inc.
Dec. 18, 1961 filed 126,000 common, of which 100,000 will be sold by the company and 26,000 by certain stockholders. **Price**—By amendment. **Business**—Manufacture of men's and boy's hats. **Proceeds** — For purchase of a building, plant equipment, and working capital. **Address**—2700 Canton St., Dallas. **Underwriter**—Eppler, Guerin & Turner, Inc., Dallas.

Milo Components, Inc.
Nov. 17, 1961 ("Reg. A") 150,000 class A shares. **Price**—$1. **Business**—Manufacturer of precision metal components, assemblies and sub-assemblies. **Proceeds**—For debt repayment and working capital. **Office**—9-11 Cleveland St., Valley Stream, N. Y. **Underwriters**—T. M. Kirsch Co., Inc., N. Y. and I. R. E. Investors Corp., Levittown, N. Y.

Miss Elliette, Inc. (1/15)
Oct. 10, 1961 filed 100,000 common. **Price**—By amendment. **Business** — Design, manufacture and distribution of women's dresses. **Proceeds**—For debt repayment, inventory and expansion. **Office**—1919 S. Los Angeles St., Los Angeles. **Underwriter**—F. L. Rossmann & Co., N. Y.

• **Missile Systems Corp. (1/4-8)**
Sept. 11, 1961 filed 148,125 common, of which 100,000 are to be offered by the company and 48,125 by stockholders. **Price**—By amendment. **Business**—Manufacture of electro - mechanical assemblies and systems for weapons under government contracts; furnishing data processing and documentation services; the manufacture of multi-color harness and cable assemblies, and the manufacture of commercial lighting equipment. **Proceeds**—For working capital. **Office** — 9025 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—George, O'Neill & Co., Inc., N. Y.

Missile Valve Corp.
Nov. 24, 1961 ("Reg. A") 300,000 common. **Price** — $1. **Business** — Production and sale of new type butterfly valve. **Proceeds**—For purchase of the patent and production and development of the valve. **Office** — 5909 Hollywood Blvd., Hollywood, Calif. **Underwriter**—Preferred Securities, Inc., Phoenix.

Mitron Research & Development Corp.
Nov. 21, 1961 filed 130,000 common. **Price**—$3. **Business**—Research and development of new products for the electronic industry. **Proceeds**—For general corporate purposes, new products. **Office**—899 Main St., Waltham, Mass. **Underwriter**—Stanley Heller & Co., N. Y.

Mobile Estates, Inc.
June 27, 1961 filed 140,000 common shares. **Price**—$6. **Proceeds**—To purchase land, construct and develop about 250 mobile home sites, form sales agencies and for working capital. **Office**—26 Dalbert, Carteret, N. J. **Underwriter**—Harry Odzer Co., N. Y. **Offering**—In mid-Jan.

Mobile Rentals Corp. (1/29-2/2)
Oct. 13, 1961 filed 215,000 common, of which 165,000 are to be offered by the company and 50,000 by a stockholder. **Price**—By amendment. **Business**—Sale and leasing of trailers. **Proceeds**—For expansion, repayment of debt, and working capital. **Office**—8472 S. Figueroa St., Los Angeles. **Underwriters**—Kleiner, Bell & Co., Beverly Hills, Calif. and Hardy & Co., N. Y.

Modern Pioneers' Life Insurance Co.
Nov. 6, 1961 ("Reg. A") 105,297 common. **Price** — $2. **Business**—A life insurance company. **Proceeds**—To increase capital and surplus. **Office**—811 N. Third St., Phoenix. **Underwriter** — Associated General Agents of North America, Inc.

Molecular Dielectrics, Inc. (1/22-26)
Sept. 1, 1961 filed 150,000 common, of which 135,000 are to be offered by the company and 15,000 by Cardia Co. **Price**—$5. **Business**—The manufacture of high-temperature electronic and electrical insulation materials. **Proceeds**—For equipment, a new product and working capital. **Office**—101 Clifton Blvd., Clifton, N. J. **Underwriters**—Street & Co., Inc. and Irving Weis & Co., N. Y.

Molecular Systems Corp.
Dec. 12, 1961 filed 140,000 common. **Price**—$3. **Business**—Production of polyethylene materials of varying grades. **Proceeds** — For equipment, research and development and working capital. **Office** — 420 Bergen Blvd., Palisades Park, N. J. **Underwriters**—Stone, Ackerman & Co., Inc., (mgr.) and Heritage Equity Corp., N. Y.

Motor Parts Industries, Inc. (1/22-26)
Oct. 30, 1961 filed 120,000 class A shares. **Price** — By amendment. **Business**—Distribution of automobile parts. **Proceeds** — For debt repayment and working capital. **Office**—900-908 S. Oyster Bay Rd., Hicksville, N. Y. **Underwriter**—Street & Co., Inc., N. Y.

Municipal Investment Trust Fund, First Pa. Series (1/9-12)
April 28, 1961 filed $6,375,000 (6,250 units) of interests. **Price**—To be supplied by amendment. **Business**—The fund will invest in tax-exempt bonds of the Commonwealth of Pennsylvania and its political sub-divisions. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., 111 Broadway, N. Y. C.

Municipal Investment Trust Fund, Series B
April 28, 1961 filed $12,750,000 (12,500 units) of interests. **Price** — To be supplied by amendment. **Business** — The fund will invest in tax-exempt bonds of states, counties, municipalities and territories of the U. S. **Proceeds**—For investment. **Sponsor**—Ira Haupt & Co., 111 Broadway, N. Y. C. **Offering**—Expected in early 1962.

Mutual Credit Corp.
Nov. 3, 1961 ("Reg. A") $300,000 of 6½% convertible subord. debentures, due 1971. **Price**—At par. **Business**—A finance company. **Proceeds**—For general corporate purposes. **Address**—Keene, N. H. **Underwriter**—Chilson, Newbery & Co., Inc., Kingston, N. Y.

Narrows Premium Corp. (1/8-12)
Sept. 25, 1961 filed 100,000 common. **Price**—$4. **Business**—Financing of casualty insurance premiums in New York State. **Proceeds**—General corporate purposes. **Office**—9805 Fourth Ave., Brooklyn, N. Y. **Underwriter**—Pearson, Murphy & Co., Inc., N. Y.

• **National Bowling Lanes, Inc. (1/15-19)**
July 21, 1961 filed 150,000 capital shares. **Price**—$5.50. **Business**—The operation of bowling centers. **Proceeds**—For expansion, repayment of loans, and working capital. **Office** — 220 S. 16th Street, Philadelphia. **Underwriter**—Edward Lewis & Co., Inc., N. Y.

• **National Capital Acceptance Corp. (1/15-19)**
Oct. 20, 1961 ("Reg. A") 150,000 class A common. **Price**—$2. **Business**—Purchase of second trust notes and other securities. **Proceeds**—For working capital. **Office**—8719—Colesville Rd., Silver Spring, Md. **Underwriter**—Guardian Investment Corp., Washington, D. C.

National Equipment & Plastics Corp. (1/15)
Sept. 28, 1961 filed 105,000 common. **Price**—$5. **Business**—Operation of a cleaning and pressing plant and affiliated stores. **Proceeds**—For debt repayment, store expansion and working capital. **Address** — Portage, Pa. **Underwriter**—Cortlandt Investing Corp., N. Y.

★ **National Family Insurance Co.**
Dec. 26, 1961 filed 200,000 common. **Price**—$5. **Business**—Writing of automobile insurance. **Proceeds**—For additional capital and reserves. **Office**—2147 University Ave., St. Paul, Minn. **Underwriter**—None.

• **National Mercantile Clearing House, Inc.**
Oct. 23, 1961 ("Reg. A") 75,000 common. **Price**—$4. **Business**—A collection agency. **Proceeds**—For general corporate purposes. **Office**—4539 Ponce de Leon Blvd., Miami, Fla. **Underwriter**—Armstrong & Co., Inc., N. Y. **Offering**—Expected sometime in February.

National Real Estate Investment Trust (1/22-26)
Nov. 9, 1961 filed 1,000,000 common. **Price**—$15. **Business**—A real estate investment company. **Proceeds**—For investment. **Office**—20 Broad St., New York City. **Underwriter**—Lee Higginson Corp., N. Y.

National Recreation Corp.
Sept. 27, 1961 filed 337,500 common. **Price**—$8. **Business**—Operates a national chain of bowling centers. **Proceeds**—For the acquisition of new centers, repayment of debt and for working capital. **Office**—Time and Life Bldg., N. Y. **Underwriter**—Berger-Derman, Inc., N. Y.

National Rolling Mills Co. (2/13-16)
Nov. 22, 1961 filed 200,000 common, of which 120,000 are to be offered by the company and 80,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of steel suspension systems, and other specialized roll formed metal products. **Proceeds**—For debt repayment and other corporate purposes. **Office** — Morehall Road, Malvern, Pa. **Underwriter**—Drexel & Co., Philadelphia.

National Semiconducter Corp.
May 11, 1961 filed 75,000 shares of capital stock. **Price**—To be supplied by amendment. **Business**—The design, development, manufacture and sale of quality transistors for military and industrial use. **Proceeds** — For new equipment, plant expansion, working capital, and other corporate purposes. **Office**—Mallory Plaza Bldg., Danbury, Conn. **Underwriters**—Lee Higginson Corp., N. Y. C. and Piper, Jaffray & Hopwood, Minneapolis (mgr.). **Note**—This registration has been indefinitely postponed.

National Tel-Tronics Corp. (1/22-26)
Sept. 11, 1961 filed 133,000 common. **Price**—$3. **Business**—The manufacture of electronic components. **Proceeds**—For repayment of a loan, expansion, new products, working capital and general corporate purposes. **Office**—52 St. Casimer Ave., Yonkers, N. Y. **Underwriter**—Frank Karasik & Co., Inc., N. Y. (mgr.).

National Vended Ski Insurance Corp.
Oct. 30, 1961 filed 550,000 common. **Price**—By amendment. **Business**—Distribution of coin-operated insurance vending machines to brokers at sporting centers. **Proceeds**—For inventory, advertising and working capital. **Office**—420 Lexington Ave., N. Y. **Underwriter**—Pacific Coast Securities Co., San Francisco. **Offering**—Expected sometime in February.

• **Nationwide Bowling Corp. (1/2-5)**
Oct. 19, 1961 filed 100,000 capital shares (with attached warrants). **Price**—By amendment. **Business**—The operation of bowling centers. **Proceeds**—For a realty acquisition and working capital. **Office** — 11 Commerce St., Newark, N. J. **Underwriter**—Warner, Jennings, Mandel & Longstreth, Philadelphia.

★ **Natural Gas Pipeline Co. of America (1/10)**
Dec. 21, 1961 filed $30,000,000 of first mortgage pipeline bonds due Jan. 1, 1932. **Proceeds**—For debt repayment. **Office**—122 So. Michigan Ave., Chicago. **Underwriters**—Dillon, Read & Co., Inc., N. Y., and Halsey, Stuart & Co. Inc., Chicago.

New Campbell Island Mines Ltd.
Oct. 13, 1961 filed 475,000 common, of which 400,000 are to be offered by the company and 75,000 by a stockholder. **Price**—50c. **Business**—Exploration, development and mining. **Proceeds**—General corporate purposes. **Office**—90 Industry St., Toronto, Canada. **Underwriter**—A. C. MacPherson & Co., Toronto.

• **New West Land Corp. (1/2-5)**
June 30, 1961 ("Reg. A") 200,000 common shares (par $1). **Price**—$1.50. **Proceeds**—For repayment of notes and acquisition of real estate interests. **Office**—3252 Broadway, Kansas City, Mo. **Underwriter** — Barret, Fitch, North & Co., Kansas City, Mo.

New World Laboratories, Inc.
Nov. 13, 1961 ("Reg. A") 100,000 common. **Price** — $3. **Business**—Manufacture of cosmetics and hair preparations. **Proceeds**—For debt repayment and general corporate purposes. **Office**—1610 14th St., N. W., Washington, D. C. **Underwriter**—T. J. McDonald & Co., Inc., Washington, D. C.

New York Telephone Co. (1/9)
Dec. 15, 1961 filed $60,000,000 of refunding mortgage bonds, series M, due Jan. 1, 2002. **Proceeds**—For debt repayment and construction. **Office**—140 West St., N. Y. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc., and Morgan Stanley & Co. **Bids**—Expected Jan. 9 (11 a.m. EST) in Room 1600, 140 West St., N. Y.

Nigeria Chemical Corp. (2/5-9)
Dec. 7, 1961 filed 90,000 common. **Price**—$5. **Business**—Company plans to construct a plant for production of ethyl alcohol and derivatives and to distill and sell industrial and potable alcohol in Nigeria. **Proceeds**—For equipment, debt repayment, and working capital. **Office**—1060 Broad St., Newark, N. J. **Underwriter**—Scott, Harvey & Co., Inc., Fairlawn, N. J.

North America Real Estate Trust
Nov. 13, 1961 filed 2,000,000 shares of beneficial interest. **Price**—$10. **Business**—Real estate investment trust. **Proceeds**—For acquisition of property and working capital. **Office**—475 Fifth Ave., N. Y. **Underwriter**—None.

North Atlantic Industries, Inc. (1/8-22)
Sept. 26, 1961 filed 131,500 common, of which 120,000 will be sold by the company and 11,500 by a stockholder. **Price**—By amendment. **Business**—Manufacture of precision electronic instruments. **Proceeds**—Repayment of debt, new product development, inventory and working capital. **Office**—Terminal Dr., Plainview, N. Y. **Underwriter**—G. A. Saxton & Co., Inc., N. Y.

Northern Wood Products Corp.
Nov. 29, 1961 filed 78,000 common. **Price**—$5. **Business**—Manufacture of wooden kitchen cabinets and related appliances. **Proceeds** — For debt repayment, expansion, and working capital. **Office**—201-221 Godwin Ave., Paterson, N. J. **Underwriter**—United Planning Corp., Newark, N. J.

Nutri-Bio Corp.
Oct. 17, 1961 filed 1,200,000 common. **Price**—$5. **Business**—Distribution and sale of vitamins, minerals and dietary food supplements. **Proceeds**—For selling stockholders. **Office** — 291 S. La Cienega Blvd., Beverly Hills, Calif. **Underwriter** — Vickers, McPherson & Warwick, Inc., N. Y.

● Nutri-Laboratories, Inc. (1/15-19)
Sept. 14, 1961 filed 100,000 common. **Price**—$5. **Business**—The manufacture and distribution of animal foods and dog products. **Proceeds** — For marketing of "Doctor's Choice" brand, working capital and operating expenses. **Office**—1511 K St., N. W., Washington, D. C. **Underwriter**—Hirschel & Co., Silver Spring, Md.

Nuveen Tax-Exempt Bond Fund, Series 2
Feb. 23, 1961 filed $10,000,000 (100,000 units) ownership certificates. **Price**—To be filed by amendment. **Business**—The fund will invest in interest bearing obligations of states, counties, municipalities and territories of the U. S., and political subdivisions thereof which are believed to be exempted from Federal income taxes. **Proceeds** — For investment. **Office** — 135 South La Salle Street, Chicago. **Sponsor**—John Nuveen & Co., Chicago. **Offering**—Expected in early 1962. **Note**—This fund formerly was known as Tax-Exempt Public Bond Trust Fund, Series 2.

Nuveen Tax-Exempt Bond Fund, Series 3
Oct. 17, 1961 filed $15,300,000 of units representing fractional interests in the Fund. **Price** — By amendment. **Business**—The Fund will invest in interest bearing obligations of states, counties and municipalities of the U. S., and political subdivisions thereof which are believed to be exempted from Federal income taxes. **Proceeds**—For investment. **Office**—Chicago, Ill. **Sponsor**—John Nuveen & Co., 135 So. La Salle St., Chicago.

Nuveen Tax-Exempt Bond Fund, Series 4
Oct. 17, 1961 filed $15,000,000 of units representing fractional interests in the Fund. **Price**—By amendment. **Business**—The Fund will invest in interest-bearing obligations of states, counties, and municipalities of the U. S., and political subdivisions thereof which are believed to be exempted from Federal income taxes. **Proceeds**—For investment. **Office**—Chicago, Ill. **Sponsor**—John Nuveen & Co., 135 So. La Salle St., Chicago.

● Oceanic Instruments, Inc. (1/8-12)
Aug. 24, 1961 filed 140,000 common. **Price**—$1. **Business**—The company plans to manufacture scientific marine instruments and provide consultation services. **Proceeds**—For organizational expenses and purchase of equipment. **Office**—1515 Norton Bldg., Seattle. **Underwriter**—Globus, Inc., N. Y.

● Olympia Mines, Inc. (1/22-26)
Sept. 1, 1961 filed 300,000 capital shares. **Price**—$1.35 **Business**—The exploration and development of mines **Proceeds**—For mining operations. **Office**—44 Court St., Brooklyn, N. Y. **Underwriter** — Gaumont Corp., Ltd., Toronto.

Orbit Industries, Inc. (1/8-12)
Aug. 22, 1961 filed 125,000 common shares. **Price**—$4 **Business** — Research, development, engineering and manufacturing in the telephone, electronics and related fields. **Proceeds**—For repayment of loans, and equipment. **Office**—213 Mill St., N. E., Vienna, Va. **Underwriter**—Hodgdon & Co., Inc., Washington, D. C.

● Originala Inc. (1/22-26)
Aug. 29, 1961 filed 150,000 common. **Price**—$9.25. **Business**—The manufacture of women's coats. **Proceeds**—For the selling stockholders. **Office**—512 Seventh Ave., N. Y. **Underwriter**—To be named.

Orion Electronics Corp. (1/15-19)
Aug. 28, 1961 filed 100,000 common. **Price**—$3.50. **Business**—The manufacture of precision electronic sub-systems for the generation, detection and control of frequencies up through the microwave region. **Proceeds**—For expansion, equipment and working capital. **Address**—Tuckahoe, N. Y. **Underwriter**—A. D. Gilhart & Co., Inc., N. Y. C.

Orlando Paper Corp.
Oct. 11, 1961 ("Reg. A") 80,000 common. **Price**—$2.50. **Business**—Manufacturer of miscellaneous paper products. **Proceeds**—For debt repayment and general corporate purposes. **Office**—Oceanside, L. I., N. Y. **Underwriter**—Professional & Executive Planning Corp., Long Beach, N. Y., and E. J. Roberts & Co., East Orange, N. J.

Oxford Finance Cos., Inc. (2/26-3/2)
Nov. 28, 1961 filed 200,000 common. **Price**—By amendment. **Business**—A finance company. **Proceeds**—For expansion and debt repayment. **Office**—6701 N. Broad St., Philadelphia. **Underwriter**—Blair & Co., Inc., N. Y.

Oxford Trust Fund
Nov. 24, 1961 filed 5,000,000 units. **Price**—$1. **Business**—An investment trust. **Office**—Atlanta, Ga. **Sponsor**—Oxford Distributor Corp., Atlanta.

● Ozon Products, Inc. (1/2-5)
Sept. 28, 1961 filed 105,000 common. **Pirce**—By amendment. **Business**—Manufacture of toiletries and cosmetics. **Proceeds**—For repayment of debt and working capital. **Office**—50 Wallabout St., Brooklyn, N. Y. **Underwriter**—Carter, Berlind, Potoma & Weill, N. Y.

PCS Data Processing, Inc.
Oct. 6, 1961 filed 100,000 common of which 50,000 are to be offered by the company and 50,000 by stockholders. **Price**—$3.75. **Business**—Furnishing of statistical information. **Proceeds**—For training personnel, new equipment, expansion and working capital. **Office**—75 W. St., N. Y. **Underwriters**—Harry Odzer Co., N. Y., and Lenchner, Covato & Co., Inc., Pittsburgh, Pa. **Offering**—Expected in January.

P-G Products Manufacturing Co., Inc.
Oct. 10, 1961 filed 110,055 common. **Price**—By amendment. **Business** — Manufactures appliance replacement parts and accessories. **Proceeds** — For debt repayment, expansion and working capital. **Office**—230 E. 162nd St., N. Y. **Underwriters**—Kahn & Peck, Cohn & Co., N. Y.

P. & H. Tube Corp.
Oct. 25, 1961 filed 120,000 common (with attached warrants to purchase 60,000 additional shares) to be offered in units consisting of two shares and one warrant. **Price**—$12 per unit. **Business**—Manufacture of electric resistance welded steel tubing. **Proceeds**—For debt repayment and working capital. **Office**—413 Hamilton Rd., Bossier City, La. **Underwriters**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans and Clark, Landstreet & Kirkpatrick, Inc., Nashville.

Pacific Big Wheel
Oct. 26, 1961 filed 100,000 common. **Price**—By amendment. **Business**—Sale and installation of automobile accessories. **Proceeds**—For expansion and working capital. **Office**—6125 El Cajon Blvd., San Diego. **Underwriter**—N. C. Roberts & Co., Inc., San Diego

Pacific Nutrient & Chemical Co. (1/15-19)
Sept. 15, 1961 filed 120,000 common. **Price**—$4. **Business**—The manufacture and sale of chemical fertilizers, animal nutrients, crop seeds, insecticides, etc. **Proceeds**—For additional equipment, a new plant and working capital. **Office** — North Oak and Hazel St., Burlington Wash. **Underwriter** — Paul Eisenburg & Co., Inc., and Magnus & Co., Inc., N. Y.

Pacific States Steel Corp.
June 21, 1961 filed 100,000 outstanding shares of capital stock (par 50 cents) to be sold by stockholders. **Price**—$6. **Business**—The manufacture of steel products. **Proceeds**—For the selling stockholder. **Office**—35124 Alvarado-Niles Road, Union City, Calif. **Underwriters**—First California Co., Inc., and Schwabacher & Co., San Francisco (mgr.). **Offering**—Indefinitely postponed.

Pal-Playwell Inc.
Nov. 28, 1961 filed 100,000 common. **Price**—$4. **Business**—Design, assembly and manufacture of toys. **Proceeds**—For debt repayment and working capital. **Office**—179-30 93rd Ave., Jamaica, N. Y. **Underwriter**—Tyche Securities, Inc., N. Y.

Palmetto Pulp & Paper Corp.
June 28, 1961 filed 1,000,000 common. **Price**—$3.45. **Business**—The growth of timber. **Proceeds**—Working capital and the possible purchase of a mill. **Address**—Box 199, Orangeburg, S. C. **Underwriter** — Stone & Co. c/o E. Lowitz & Co., 29 Broadway, N. Y.

★Pan-Video Productions, Inc.
Dec. 15, 1961 filed 100,000 common. **Price**—$3. **Business**—Production of films. **Proceeds** — For general corporate purposes. **Office**—200 W. 57th St., N. Y. **Underwriter**—R. J. Curylo Co., Brooklyn, N. Y.

Papekote, Inc. (1/22-26)
Dec. 1, 1961 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Development and sale of chemical processes used in the field of paper coating. **Proceeds**—For general corporate purposes. **Office**—443 W. 15th St., N. Y. **Underwriter**—Edward Lewis Co., Inc., N. Y.

Paragon Pre-Cut Homes, Inc.
Aug. 25, 1961 filed $1,000,000 of 15-year sinking fund debentures due 1976 (with warrants attached) and 100,000 common to be offered in 10,000 units each consisting of 10 common and $100 of debentures. **Price**—By amendment. **Business**—The packaging and direct sale of precut home building materials. **Proceeds**—For repayment of loans and working capital. **Office**—499 Jericho Turnpike, Mineola, N. Y. **Underwriter**—L. F. Rothschild & Co., N. Y. **Note**—This registration will be withdrawn.

● Paramount Foam Industries (1/10)
Sept. 25, 1961 filed 137,500 common. **Price**—By amendment. **Business**—The manufacture of polyester foams. **Proceeds** — Additional equipment, debt repayment and working capital. **Office**—Mercer and Arnot Sts., Lodi, N. J. **Underwriter**—Fialkov & Co., Inc., N. Y.

Parker Finance Corp.
Oct. 27, 1961 filed 135,000 common. **Price**—$6. **Business**—Financing of commercial accounts receivable. **Proceeds**—For debt repayment. **Office**—8650 Cameron St., Silver Spring, Md. **Underwriter**—D. E. Liederman & Co., Inc., N. Y. **Offering**—Expected in February.

Parkway Laboratories, Inc.
Dec. 6, 1961 filed 160,000 common. **Price**—$5. **Business**—Manufacture of drugs and pharmaceuticals. **Proceeds**—For an acquisition, research and other corporate purposes. **Office** — 2301 Pennsylvania Ave., Philadelphia. **Underwriter** — Arnold Malkan & Co., Inc., N. Y.

Patent Merchandising Corp.
Nov. 22, 1961 filed 100,000 common (with attached five-year warrants to purchase an additional 100,000 shares) to be sold in units of one share and one warrant. **Price**—$3.50 per unit. **Business**—Company plans to market patented products, or products which it considers to be patentable. **Proceeds**—For general corporate purposes. **Office**—521 5th Ave., N. Y. C. **Underwriter**—Hampstead Investing Corp., N. Y.

Pellegrino Aggregate Technico, Inc.
Aug. 10, 1961 filed 130,000 class A common shares. **Price**—$5. **Business**—The manufacture of building materials. **Proceeds**—For payment of income taxes and loans and for working capital. **Office**—Woodbridge-Carteret Road, Port Reading, N. J. **Underwriter**—Mortimer B. Burnside & Co., Inc., N. Y. **Offering**—Temporarily postponed.

Pennon Electronics Corp.
Sept. 28, 1961 ("Reg. A") 135,000 common. **Price**—$2.20 **Business**—Manufacture of solid state electronic devices. **Proceeds**—For working capital. **Office**—7500 S. Garfield Ave., Bellgardens, Calif. **Underwriter**—Darius Inc., N. Y.

Perpetual Investment Trust
Nov. 9, 1961 filed 500,000 shares of beneficial interest. **Price**—(For the first 10,000 shares) $10.80 per share. (For the balance) Net asset value plus 8% commission. **Business**—A real estate investment trust. **Proceeds**—For investment. **Office**—1613 Eye St., N. W., Washington, D. C. **Underwriter**—Sidney Z. Mensh Securities Co., Washington, D. C.

● Personal Property Leasing Co.
Oct. 13, 1961 filed $2,000,000 of conv. subord. debentures due 1976. **Price**—By amendment. **Business**—Leasing of equipment to industrial and commercial firms. **Proceeds**—For purchase of equipment and collateral for bank credit. **Office**—6381 Hollywood Blvd., Los Angeles. **Underwriter**—Dempsey-Tegeler & Co., Inc., St. Louis. **Offering**—Imminent.

Philippine Oil Development Co., Inc.
Sept. 25, 1961 filed 95,270,181 capital shares to be offered for subscription by common stockholders on the basis of one new share for each six held of record Sept. 9. **Price**—One cent. **Business**—Exploration for oil in the Philippines. **Proceeds**—Repayment of debt and the drilling of test wells. **Office**—Manila, Philippines. **Underwriter**—None.

★ Pierce Proctor Schultte & Taranton Investment Co., Inc.
Dec. 20, 1961 filed $465,000 of 10-year 8% debentures. **Price**—$15,000 per debenture. **Business**—The company plans to organize and sell real estate syndicates. **Proceeds**—For general corporate purposes. **Office**—1807 N. Central Ave., Phoenix. **Underwriter**—None.

★ Pioneer Restaurants, Inc.
Dec. 21, 1961 filed 125,000 common, of which 75,000 are to be offered by the company and 50,000 by a selling stockholder. **Price**—By amendment. **Business**—Operation of six restaurants in Sacramento. **Proceeds**—For expansion, debt repayment and working capital. **Office**—1626 J St., Sacramento. **Underwriter**—Stewart, Eubanks, Myerson & Co., San Francisco.

Pir-O-Wood Industries, Inc.
Nov. 28, 1961 filed 62,000 common. **Price**—$5. **Business**—Sale of prefabricated wood and plastic specialized components. **Proceeds**—For general corporate purposes. **Office** — 1182 Broadway, N. Y. **Underwriter** — Arnold Malkan & Co., Inc., N. Y. **Offering**—In February.

Plasticrete Corp. (1/29-2/2)
Nov. 15, 1961 filed 160,000 common. **Price**—By amendment. **Business** — Manufactures masonry units for the construction industry. **Proceeds**—For general corporate purposes. **Office** — 1883 Dixwell Ave., Hamden, Conn. **Underwriter**—Blair & Co., Inc., N. Y. **Offering**—In Jan.

● Plymouth Discount Corp. (1/8-12)
Aug. 28, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Consumer sales financing. **Proceeds**—For repayment of notes and working capital. **Office** — 2211 Church Ave., Brooklyn, N. Y. **Underwriter**—M. Posey Associates, Ltd., 50 Broadway, N. Y.

★ Pneumo Dynamics Corp.
Dec. 22, 1961 filed 150,000 common, of which 100,000 are to be offered by the company and 50,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of precision hydraulic, pneumatic and mechanical equipment for marine, aircraft, ordnance and industrial use. **Proceeds**—For acquisition of a company and working capital. **Office**—3781 E. 77th St., Cleveland. **Underwriter**—Hemphill, Noyes & Co., N. Y. and Estabrook & Co., Boston.

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• Policy-Matic Affiliates, Inc. (1/15-19)
Oct. 16, 1961 filed 200,000 capital shares. **Price**—$3.25. **Business**—Leasing of insurance vending machines. **Proceeds**—General corporate purposes. **Office**—1001 15th St., N. W., Washington, D. C. **Underwriter**—Balogh & Co., Inc., Washington, D. C.

• Polytronic Research, Inc.
June 7, 1961 filed 193,750 common shares, of which 150,-000 will be sold for the company and 43,750 for stockholders. **Price**—By amendment. **Business**—Research and development, engineering and production of certain electronic devices for aircraft, missiles, oscilloscopes, electronic vending machines and language teaching machines. **Proceeds**—For expansion, repayment of debt and working capital. **Office**—7326 Westmore Rd., Rockville, Md. **Underwriters**—Jones, Kreeger & Co., and Balogh & Co., Washington, D. C. **Note**—This offering was postponed indefinitely.

Popular Library, Inc. (1/15-19)
Oct. 17, 1961 filed 127,500 capital shares. **Price** — By amendment. **Business**—Publishing of paperback books and magazines. **Proceeds**—General corporate purposes. **Office**—355 Lexington Ave., N. Y. **Underwriter**—Sutro Bros. & Co., N. Y.

Power Industrial Products Co. (2/13-16)
Nov. 22, 1961 filed 160,000 class A common, of which 133,333 are to be offered by the company and 26,667 by present stockholders. **Price**—By amendment. **Business**—Warehouse distribution of corrosion resistant stainless steel pipe, tubing, valves, etc. **Proceeds**—For repayment of debt, expansion, and working capital. **Office**—352 Harrison St., Passaic, N. J. **Underwriter**—S. D. Fuller & Co., N. Y.

President Airlines, Inc.
June 13, 1961 ("Reg. A") 150,000 class A common shares (par one cent). **Price**—$2. **Business**—Air transportation of passengers and cargo. **Proceeds**—For payment of current liabilities and taxes; payment of balance on CAB certificate and working capital. **Office** — 630 Fifth Avenue, Rockefeller Center, N. Y. **Underwriter**—Continental Bond & Share Corp., Maplewood, N. J. **Note**—This offering has been temporarily postponed.

Prestige Capital Corp.
Oct. 19, 1961 filed 200,000 common. **Price**—$5. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—485 Fifth Ave., N. Y. **Underwriters**—D. Gleich & Co., N. Y., and Laird, Bissell & Meeds, Wilmington, Del.

Pride Industries, Inc. (1/16)
Aug. 29, 1961 filed 75,000 common. **Price**—$5. **Business**—The sale of pet foods. **Proceeds**—For inventory, repayment of a loan, machinery, new products, advertising. **Office**—4408 Fairmount Ave., Philadelphia. **Underwriter**—Steven Investment Corp., Bala Cynwyd, Pa.

Primex Equities Corp.
Nov. 27, 1961 filed 400,000 shares of 60c cumulative convertible preferred, and 400,000 of class A common, to be offered in units of one share each. **Price**—By amendment. **Business**—A real estate investment firm. **Proceeds**—For property acquisitions and working capital. **Office**—66 Hawley St., Binghamton, N. Y. **Underwriter**—None.

Product Research of Rhode Island, Inc. (1/8-12)
July 28, 1961 filed 330,000 common shares. **Price**—$2.05. **Business** — The manufacture of vinyl plastic products used in the automotive, marine and household fields. **Proceeds**—For repayment of debt, new equipment and working capital. **Office** — 184 Woonasquatucket Avenue, Nort Providence, R. I. **Underwriter**—Continental Bond & Share Corp., Maplewood, N. J.

Programming and Systems, Inc.
Oct. 11, 1961 filed 40,000 common. **Price**—$3.50. **Business**—Instructs classes in computer programming and the operation of electronic data processing machines. **Proceeds**—For expansion. **Office**—45 W. 35th St., N. Y. **Underwriter**—D. M. Stuart & Co., Inc., N. Y.

Programs For Television, Inc.
Aug. 29, 1961 filed 150,000 common. **Price**—By amendment. **Business** — The distribution of films for motion pictures and television. **Proceeds**—For repayment of debt and working capital. **Office**—1150 Avenue of the Americas, N. Y. **Underwriter**—To be named.

Publishers Co., Inc.
Nov. 28, 1961 filed 541,000 common. **Price**—By amendment. **Business**—Book publishing. **Proceeds**—For an acquisition and other corporate purposes. **Office**—1106 Connecticut Ave., N. W., Washington, D. C. **Underwriters**—Amos Treat & Co., Inc., N. Y. and Roth & Co., Inc., Philadelphia. **Offering**—Expected sometime in Feb.

Puerto Rico Capital Corp. (1/10)
Sept. 13, 1961 filed 750,000 common. **Price**—$10. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Address**—San Juan, Puerto Rico. **Underwriter**—Hill, Darlington & Grimm, N. Y.

Puerto Rico Land and Development Corp.
Nov. 24, 1961 filed $4,000,000 of 5% conv. subord. debentures due 1971 and 200,000 class A shares to be offered in 25,000 units, each consisting of $160 of debentures and eight shares. **Price**—$200 per unit. **Business**—Real estate and construction. **Proceeds** — For general corporate purposes. **Office**—San Juan, Puerto Rico. **Underwriters**—Lieberbaum & Co., and Morris Cohon & Co., New York.

Pulp Processes Corp. (1/8-12)
Sept. 20, 1961 filed 140,000 common. **Price**—$5. **Business**—Development of pulping and bleaching devices. **Proceeds**—General corporate purposes. **Office**—Hoge Bldg., Seattle, Wash. **Underwriter**—Wilson, Johnson & Higgins, San Francisco.

Pyramid Publications, Inc. (1/8-12)
Nov. 24, 1961 filed 115,000 common. **Price**—By amendment. **Business**—Publication and sale of pocket-size paperback books and a man's magazine. **Proceeds**—For expansion, debt repayment, and working capital. **Office**—444 Madison Ave., N. Y. **Underwriter**—Milton D. Blauner & Co., Inc., N. Y.

• Pyrometer Co. of America, Inc.
Sept. 26, 1961 filed 300,000 common. **Price**—By amendment. **Business** — Design and manufacture of thermocouple temperature transducers and electronic indicating and controlling instruments. **Proceeds**—To finance the purchase of Hamilton Manufacturing Co., Inc. **Office**—600 E. Lincoln Highway, Penndel, Pa. **Underwriter**—Arnold Malkan & Co., Inc., N. Y. **Offering**—February.

Quaker City Industries, Inc.
Nov. 28, 1961 filed 87,500 common. **Price**—$4. **Business**—Design and manufacture of metal cabinets, boxes, boiler and radiator enclosures. **Proceeds**—For equipment, aadvertising and working capital. **Office** — 234 Russell St., Brooklyn, N. Y. **Underwriter**—M. J. Merritt & Co., Inc., N. Y.

• Quartite Creative Corp. (1/8)
Sept. 27, 1961 filed 100,000 common. **Price**—$5. **Business**—Manufacture of home furnishing products. **Proceeds**—For research, new products and working capital. **Office**—34-24 Collins Place, Flushing, N. Y. **Underwriters**—Shell Associates, Inc. and Godfrey, Hamilton, Taylor & Co., N. Y.

• RF Interonics, Inc. (1/29-2/2)
Oct. 30, 1961 filed 40,000 common. **Price**—$5. **Business**—Manufacture of radio frequency interference filters and capacitors. **Proceeds**—For equipment, working capital and other corporate purposes. **Office**—15 Neil Court, Oceanside, N. Y. **Underwriter**—Arnold Malkan — Co., N. Y.

Racing Inc.
Oct. 16, 1961 filed 1,250,000 common. **Price**—Up to $4. **Business**—Company plans to build and operate an automobile racing center. **Proceeds**—General corporate purposes. **Office**—21 N. 7th St., Stroudsburg, Pa. **Underwriter**—None.

Rainbow Photo Laboratories, Inc. (1/8-12)
Sept. 28, 1961 filed 150,000 common. **Price**—By amendment. **Business**—Processing of film and distributing of photographic equipment. **Proceeds**—For moving expenses, expansion, advertising and promotion, repayment of debt and working capital. **Office**—29-14 Northern Blvd., Long Island City, N. Y. **Underwriter**—Rodetsky, Walker & Co., Inc., N. Y.

Rapid-American Corp.
Nov. 1, 1961 filed $8,367,000 of conv. subord. debentures due 1976, being offered for subscription by common stockholders and 5¾% conv. debenture holders at the rate of $100 of new debs. for each 25 common held and $100 of new debs. for each 25 common into which the outstanding 5¾% conv. debs. are convertible of record Dec. 14, with rights to expire Jan. 11, 1961. **Price**—At par. **Business**—Manufacture of metal signs, plastic toys, novelties, etc. **Proceeds**—To increase ownership in McCrory Corp. and general corporate purposes. **Office**—711 Fifth Ave., N. Y. **Underwriter**—None.

• Rapid Film Technique, Inc. (1/2-5)
Sept. 19, 1961 filed 70,000 common. **Price**—$4. **Business**—The rejuvenating and repairing of motion picture film. **Proceeds**—For debt repayment and general corporate purposes. **Office**—37-02 27th St., Long Island City, N. Y. **Underwriter**—Herbert Young & Co., Inc., N. Y.

Raritan Plastics Corp. (2/5-9)
Sept. 28, 1961 filed 100,000 class A common. **Price**—$5. **Business**—Extrusion of plastic sheets. **Proceeds**—Equipment, debt repayment and working capital. **Office**—1 Raritan Rd., Oakland, N. J. **Underwriter**—Gianis & Co., Inc., N. Y.

Real Estate Fund, Inc.
Sept. 28, 1961 ("Reg. A") 14,634 units each consisting of seven common shares and one 20-year 6% convertible subordinated debenture. **Price**—$20.50 per unit. **Business**—Development and operation of shopping centers and other properties. **Proceeds**—General corporate purposes. **Address**—Greenville, S. C. **Underwriter**—McCarley & Co., Inc., Asheville, N. C. **Offering**—Imminent.

Realty Equities Corp. of New York (1/8-12)
Sept. 28, 1961 filed $1,675,800 of subord. debentures due 1971 (with warrants attached) to be offered for subscription by stockholders in 16,758 units, each consisting of $100 of debentures and a warrant to purchase 12.5 shares on the basis of one unit for each 20 shares held. **Price**—$100 per unit. **Business**—General real estate and construction. **Proceeds**—General corporate purposes. **Office**—666 Fifth Ave., N. Y. **Underwriter**—Sutro Bros. & Co., New York.

• Recco, Inc. (1/8-12)
Oct. 19, 1961 filed 75,000 class A shares. **Price** — By amendment. **Business**—Operates record, card and stationery departments in discount stores. **Proceeds**—For expansion. **Office**—1211 Walnut St., Kansas City, Mo. **Underwriter**—Midland Securities Co., Inc., Kansas City, Mo.

Red Wing Fiberglass Products, Inc.
July 28, 1961 ("Reg. A") 260,000 common. **Price**—$1.15. **Proceeds** — Debt repayment, building improvements, equipment, research and development, and working capital. **Office**—Industrial Park, Red Wing, Minn. **Underwriter**—York & Mavroulis, Minneapolis. **Note**—This letter was temporarily postponed.

Reher Simmons Research, Inc. (1/8-12)
May 8, 1961 filed 150,000 shares of capital stock. **Price**—$6 per share. **Business**—The research and development of processes in the field of surface and biochemistry. **Proceeds**—For plant construction, equipment, research and development, sales promotion and working capital. **Office**—545 Broad St., Bridgeport, Conn. **Underwriter**—McLaughlin, Kaufmann & Co., N. Y. (mgr.).

★ Richmond Corp.
Dec. 21, 1961 filed 142,858 common. **Price**—$7. **Business**—A real estate investment company. **Proceeds**—For debt repayment and general corporate purposes. **Office**—220 K St., N. W., Washington, D. C. **Underwriter**—Hirschel & Co., Silver Spring, Md.

Ripley Industries, Inc., and Jomar Plastics, Inc. (1/22-26)
Oct. 27, 1961 filed 100,000 common shares of Ripley and 100,000 of Jomar to be offered in units consisting of one share of each company. **Price**—By amendment. **Business**—Manufacture of wood and plastic heels for women's shoes, metal molds and dies, bowling pins, bowling shoes and related products. **Proceeds**—For general corporate purposes. **Office**—4067 Folsom Ave. St. Louis and Rio Piedras, Puerto Rico. **Underwriters**—Paine, Webber, Jackson & Curtis and American Securities Corp., N. Y.

Roberts & Porter, Inc.
Nov. 20, 1961 filed 80,200 common, of which 16,680 are to be offered by the company and 63,520 by stockholders. **Price**—By amendment. **Business**—Sale of specialized photographic, plate making and press room supplies and equipment to the graphic arts industry. **Proceeds**—For working capital. **Office**—4140 W. Victoria Ave., Chicago, Ill. **Underwriters**—Blunt Ellis & Simmons, Chicago., and Schmidt, Roberts & Parke, Philadelphia.

Rochester Capital Leasing Corp.
Oct. 30, 1961 filed $625,000 of 6% convertible subordinated debentures due 1972 and 100,000 class A to be offered in 12,500 units each consisting of $50 of debentures and eight shares. **Price**—$90 per unit. **Business**—Manufacture and sale of furniture, equipment, and supplies to schools, hotels, hospitals and industrial companies. **Proceeds**—For working capital. **Office**—8 Jay St., Rochester, N. Y. **Underwriter**—Saunders, Stiver & Co., Cleveland.

Rocket Power, Inc. (1/8-12)
Sept. 20, 1961 filed 200,000 common. **Price**—By amendment. **Business**—Development and manufacture of solid propellants, rocket motors, rocket catapults and related products. **Proceeds**—To repay debt. **Office**—Falcon Field, Mesa, Ariz. **Underwriters**—Paine, Webber, Jackson & Curtis and Prescott & Co., N. Y.

• Rodale Electronics, Inc. (1/29-2/2)
Sept. 29, 1961 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Manufacture of electronic equipment. **Proceeds**—Debt repayment, new products, equipment, sales promotion and advertising. **Office** — 562 Grand Blvd., Westbury, N.Y. **Underwriter**—Charles Plohn & Co., N.Y.

★ Roadcraft Corp.
Dec. 26, 1961 filed 400,000 common. **Price**—By amendment. **Business**—Design, manufacture and sale of mobile homes and office trailers. **Proceeds**—For general corporate purposes. **Office**—139 W. Walnut Ave., Gardena, Calif. **Underwriter** — Vickers, MacPherson & Warwick, Inc., N. Y.

Rogers (John) Co.
Oct. 24, 1961 filed $600,000 of 6% conv. subord. debentures due 1976 and 120,000 common shares to be offered in units consisting of one debenture and two shares. **Price**—$25 per unit. **Business**—Sale of rebuilt automobile engines and reground crankshafts to automobile parts jobbers. **Proceeds**—For working capital and general corporate purposes. **Office**—1060 Huff Rd., N. W., Atlanta, Ga. **Underwriters**—Robinson-Humphrey Co., Inc., and Courts & Co., Atlanta.

Rona Plastic Corp.
Dec. 15, 1961 filed 200,000 common. **Price**—$5. **Business**—Manufactures plastic housewares, baby products and other plastic items. **Proceeds**—For debt repayment and other corporate purposes. **Office**—1517 Jarrett Place, Bronx, N. Y. **Underwriter**—Arnold Malkan & Co., Inc., N. Y.

Roto Cylinders, Inc. (1/22-26)
Nov. 16, 1961 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Custom gravure engraving. **Proceeds**—For debt repayment and working capital. **Address**—Palmyra, N. J. **Underwriter**—Woodcock, Moyer, Fricke & French, Inc., Philadelphia.

Royaltone Photo Corp.
Nov. 29, 1961 filed 300,000 common, of which 100,000 are to be offered by the company and 200,000 by stockholders. **Price** — By amendment. **Business** — Develops and prints color, and black and white photographic film. **Proceeds** — For equipment and working capital. **Office**—245 7th Ave., N. Y. **Underwriter** — Federman, Stonehill & Co., N. Y.

• Rubber & Fibre Chemical Corp. (1/15-19)
Sept. 25, 1961 filed 120,000 common. **Price**—$5. **Business**—Exploitation of a new process for reclaiming unvulcanized rubber. **Proceeds**—Purchase of equipment and existing plant building, repayment of debt, and working capital. **Office**—300 Butler St., Brooklyn, N. Y. **Underwriter**—Armstrong & Co., Inc., N. Y.

S. M. S. Instruments, Inc. (1/29-2/2)
Nov. 28, 1961 filed 100,000 common. **Price**—$3.25. **Business**—Repair and maintenance of aircraft instruments and accessories. **Proceeds**—For equipment, debt repayment, and other corporate purposes. **Office** — Idlewild International Airport, Jamaica, N. Y. **Underwriter**—Lieberbaum & Co., N. Y.

• S. O. S. Photo-Cine-Optics, Inc. (1/2-5)
June 29, 1961 filed $50,000 of 6% subordinated debentures due 1969 and 50,000 common shares to be offered in units consisting of $10 of debentures and 10 common

shares. **Price**—$40 per unit. **Business**—The manufacturing, renting and distributing of motion picture and television production equipment. **Proceeds**—For new equipment, advertising, research and development, working capital and other corporate purposes. **Office**—602 W. 52nd St., New York. **Underwriter** — William, David & Motti, Inc., N. Y.

Sabre, Inc. (1/8-12)
Sept. 25, 1961 ("Reg. A") 50,000 common. **Price**—$2. **Business**—Manufacture of pre-painted aluminum siding and accessories. **Proceeds**—For inventory, dies, inventory equipment and working capital. **Office**—4990 E. Asbury, Denver. **Underwriter**—Schmidt, Sharp, McCabe & Co., Inc., Denver.

Saegertown Classeals, Inc.
Sept. 27, 1961 filed 210,500 common, of which 100,000 are to be offered by the company and 110,500 by stockholders. **Price**—By amendment. **Business**—Manufacture of electronic parts, including diodes and rectifiers. **Proceeds**—For general corporate purposes. **Office**—South Main St., Saegertown, Pa. **Underwriter**—Carl M. Loeb, Rhoades & Co., N. Y. **Note** — This company plans to merge with Glass-Tite Industries, Inc., subject to approval of stockholders. **Offering**—In February.

San Diego Imperial Corp. (1/16)
Dec. 5, 1961 filed 350,091 common. **Price**—By amendment. **Business**—A holding company for 14 savings and loan associations, and other firms. **Proceeds** — For the selling stockholders. **Office**—1400 Fifth Ave., San Diego, Calif. **Underwriters**—White, Weld & Co., Inc., N. Y., and J. A. Hogle & Co., Salt Lake City.

• Sav-Mor Oil Corp. (1/29-2/2)
July 5, 1961 ("Reg. A") 92,000 common shares (par one cent). **Price**—$2.50. **Business**—Wholesale distribution of gasoline and oil to service stations. **Proceeds**—For expansion. **Office**—151 Birchwood Park Dr., Jericho, L. I., N. Y. **Underwriter**—Amber, Burstein & Co., Inc., N. Y.

Savin Business Machines Corp. (1/9-12)
Sept. 28, 1961 filed 150,000 common. **Price**—$10. **Business**—Distribution of products for use in photocopy machines. **Proceeds**—For initial production of xerographic machines, additional equipment, expansion and working capital. **Office**—161 Ave. of the Americas, N. Y. **Underwriter**—Ira Haupt & Co., N. Y.

Schultz Sav-O-Stores, Inc.
Nov. 13, 1961 filed 160,000 common, of which 75,000 are to be offered by the company and 85,000 by stockholders. **Price**—By amendment. **Business**—Wholesale food distribution and operation of supermarkets. **Proceeds**—For expansion. **Office**—2215 Union Ave., Sheboygan, Wis. **Underwriter**—Blunt Ellis & Simmons, Chicago.

Seashore Food Products, Inc.
Aug. 29, 1961 ("Reg. A") 75,000 common. **Price** — $4. **Business**—The manufacturing and processing of assorted food products. **Office**—13480 Cairo Lane, Opa Locka, Fla. **Underwriters** — Terrio & Co., and Shane & Co., Washington, D. C. **Offering**—Expected in January.

• Sea-Wide Electronics, Inc. (1/29-2/2)
Sept. 26, 1961 filed 200,000 common. **Price**—$4. **Business**—Importing of goods from Japan. **Proceeds**—For debt repayment. **Office**—Stokely St., and Roberts Ave., Philadelphia, Pa. **Underwriter**—Amos Treat & Co., N. Y.

Security Acceptance Corp.
March 7, 1961 filed 100,000 shares of class A common stock and $400,000 of 7½% 10-year debenture bonds, to be offered in units consisting of $100 of debentures and 25 shares of stock. **Price**—$200 per unit. **Business**—The purchase of conditional sales contracts on home appliances. **Proceeds** — For working capital and expansion. **Office**—724 9th St., N. W., Washington, D. C. **Underwriter**—None.

Security Equity Fund, Inc.
Dec. 14, 1961 filed 400,000 capital shares. **Price**—Net asset value plus 6%. **Business**—A mutual fund. **Proceeds**—For investment. **Office** — 700 Harrison St., Topeka, Kan. **Underwriter**—Security Management Co., Inc., Topeka.

Seg Electronics Co., Inc. (1/29-2/2)
Sept. 28, 1961 filed 110,000 common. **Price**—By amendment. **Business**—Design and manufacture of networks for data and program transmission, filters, transceivers and related electronic equipment. **Proceeds**—For equipment, research and development, repayment of loans and working capital. **Office**—12 Hinsdale St., Brooklyn. **Underwriter**—Searight, Ahalt & O'Connor, Inc., N. Y.

• Sel-Rex Corp. (1/8-12)
Sept. 27, 1961 filed 200,000 common, of which 33,000 will be sold by the company and 167,000 by a stockholder. **Price**—By amendment. **Business**—Production of gold compounds and chemicals for electroplating. **Office**—Nutley, N. J. **Underwriter**—Eastman Dillon, Union Securities & Co., N. Y.

Selective Financial Corp.
Dec. 8, 1961 filed 500,000 common. **Price**—$6. **Business**—Engaged in real estate mortgage field, and the financing of intangibles and chattels. **Proceeds**—For general corporate purposes. **Office**—830 N. Central Ave., Phoenix. **Underwriter**—None.

• Sell 'N Serv Dispensers, Inc. (1/2)
Oct. 17, 1961 ("Reg. A") 60,000 common. **Price**—$5. **Business**—Manufacture of dispensers for hot and cold beverages. **Proceeds**—For debt repayment and general corporate purposes. **Office**—20 Simmons St., Boston. **Underwriter**—Goldsmith, Heiken & Co., Inc., Brooklyn, N. Y.

• Semicon, Inc. (1/3)
June 30, 1961 filed 125,000 class A common shares. **Price** — $4. **Business** — The manufacture of semiconductor devices for military, industrial and commercial use. **Proceeds**—For equipment, plant expansion and new products. **Address**—Sweetwater Avenue, Bedford, Mass. **Underwriter**—S. D. Fuller & Co., New York (managing).

• Servonuclear Corp. (1/8-12)
Sept. 12, 1961 ("Reg. A") 100,000 common. **Price**—$2. **Business**—Manufacture of medical electronic products. **Proceeds**—For plant relocation, equipment, inventory, new products, debt repayment and working capital. **Office**—28-21 Astoria Blvd., Astoria, L. I., N. Y. **Underwriter**—Rothenberg, Heller & Co., Inc., N. Y.

Servotron Corp. (1/8-12)
Sept. 25, 1961 filed 100,000 common. **Price**—$5. **Business**—Sale of automatic film processing machines and other electronic products. **Proceeds**—Purchase of equipment and inventory, sales promotion, research and development, and working capital. **Office**—29503 West Nine Mile Rd., Farmington, Mich. **Underwriter**—None.

Shamrock Oil and Gas Corp. (1/23)
Dec. 13, 1961 filed $25,000,000 of sinking fund debentures due Jan. 1, 1937. **Price**—By amendment. **Business**—Production of natural gas, natural gasoline and petroleum. **Proceeds**—For prepayment of loans and working capital. **Office**—First National Bank Bldg., Amarillo, Tex. **Underwriter**—First Boston Corp., N. Y.

Shasta Minerals & Chemical Co.
April 24, 1961 filed 500,000 shares of common stock. **Price**—$2.50 per share. **Business**—Acquisition, development, and exploration of mining properties. **Proceeds**—For general corporate purposes. **Office** — 1406 Walker Bank Bldg., Salt Lake City, Utah. **Underwriter** — None. **Note**—The SEC has ordered "stop order" proceedings challenging the accuracy and adequacy of this registration statement.

• Shatterproof Glass Corp. (1/8-12)
Oct. 27, 1961 filed 215,000 common. **Price**—By amendment. **Business**—Manufactures and distributes laminated safety glass. **Proceeds**—For selling stockholders. **Office**—4815 Cabot Ave., Detroit. **Underwriter**—Shields & Co., N. Y.

Shaver Food Marts, Inc.
Dec. 19, 1961 filed 170,000 class A common, of which 30,000 will be sold by the company and 140,000 by certain stockholders. **Price** — By amendment. **Business**—Operation of seven supermarkets in the Omaha-Council Bluffs area. **Proceeds**—For expansion. **Office**—139 S. 40th St., Omaha, Neb. **Underwriters**—J. Cliff Rahel & Co., and Storz-Wachob-Bender Co., Omaha.

Shenk Industries, Inc. (2/5-9)
Nov. 28, 1961 filed 150,000 common, of which 135,000 shares are to be offered by the company and 15,000 by a stockholder. **Price**—$6. **Business**—Manufacturer of rebuilt automobile parts. **Proceeds**—For debt repayment and working capital. **Office**—2101 S. High St., Columbus, Ohio. **Underwriters**—Rodetsky, Walker & Co., Inc., N. Y. and Boenning & Co., Philadelphia.

Sheraton Corp. of America (2/5-9)
Oct. 30, 1961 filed $8,000,000 of 7½% capital income sinking fund debentures due 1989. **Price**—By amendment. **Business**—Operates hotels and other real estate properties. **Proceeds**—For general corporate purposes. **Office**—470 Atlantic Ave., Boston. **Underwriters**—Paine, Webber, Jackson & Curtis, Boston and S. D. Lunt & Co., Buffalo, N. Y

Siconor Mines Ltd.
Sept. 18, 1961 filed 250,000 common. **Price**—By amendment. **Business**—The exploratory search for silver in northern Ontario. **Proceeds**—For general corporate purposes. **Office**—62 Richmond St., West, Toronto, Canada. **Underwriter**—None.

• Sierra Capital Corp. (1/2-3)
Sept. 5, 1961 filed 1,000,000 capital shares. **Price** — By amendment. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office**—105 Montgomery St., San Francisco. **Underwriter**—C. E. Unterberg, Towbin Co., N. Y.

Silo Discount Centers, Inc. (1/29-2/2)
Nov. 15, 1961 filed 165,000 common. **Price**—By amendment. **Business**—Operation of retail discount stores. **Proceeds**—For general corporate purposes. **Office**—2514 N. Broad St., Philadelphia, Pa. **Underwriters**—Boenning & Co., Philadelphia, and Rodetsky, Walker & Co., Inc., N. Y.

Sokol Brothers Furniture Co., Inc. (1/29-2/2)
Sept. 28, 1961 filed 240,000 common. **Price**—$2.50. **Business**—The instalment retailing of furniture, appliances and other household goods. **Proceeds** — For expansion and modernization of buildings, repayment of debt and working capital. **Office**—253 Columbia St., Brooklyn, N. Y. **Underwriter**—Continental Bond & Share Corp., Maplewood, N. J.

Sonic Development Corp. of America
Oct. 27, 1961 filed 56,000 common, of which 30,000 are to be offered by the company and 26,000 by stockholders. **Price**—$5. **Business**—Design, development and manufacture of devices using sound or fluids as a source of energy. **Proceeds**—For general corporate purposes. **Office**—260 Hawthorne Ave., Yonkers, N. Y. **Underwriter**—Meadowbrook Securities Inc., Hempstead, N. Y.

Sonic Systems, Inc. (1/8-12)
Oct. 30, 1961 ("Reg. A") 75,000 common. **Price** — $2. **Business**—Manufacture of ultrasonic cleaning equipment, systems and transducers. **Proceeds**—For expansion and working capital. **Office**—1250 Shames Dr., Westbury, N. Y. **Underwriter**—Keene & Co., Inc., N. Y.

Southeastern Towing & Transportation Co., Inc.
Nov. 29, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Construction and operation of towing boats. **Proceeds**—For debt repayment, conversion of a boat, and working capital. **Office**—3300 N. W. North River Drive, Miami, Fla. **Underwriter**—Irwin Karp & Co., Inc., 68 William St., N. Y.

Southern California Edison Co. (1/15-19)
Dec. 11, 1961 filed 1,500,000 common. **Price**—By amendment. **Proceeds**—For debt repayment and redemption of outstanding 4.88% preferred. **Office**—601 W. Fifth St., Los Angeles. **Underwriters**—First Boston Corp., N. Y. and Dean Witter & Co., San Francisco.

Southern California Plastic Co.
Nov. 16, 1961 ("Reg. A") 85,714 common. **Price**—$3.50. **Business**—Manufacturer of plastic products. **Proceeds**—For debt repayment, equipment and working capital. **Office**—1805 Flower St., Glendale, Calif. **Underwriter**—Sutro & Co., San Francisco.

Southern Frontier Finance Co. (1/2-5)
Sept. 22, 1961 filed $1,000,000 of sinking fund subordinated debentures due 1976 with warrants to purchase 200,000 shares of common stock, to be offered in units consisting of $100 of debentures with a warrant to purchase 20 common shares. **Price**—By amendment. **Business**—Repurchase of mortgage notes, contracts, leases, etc. **Proceeds**—Repayment fo debt, investments and other corporate purposes. **Office**—615 Hillsboro St., Raleigh, N. C. **Underwriter**—J. C. Wheat & Co., Richmond, Va.

Southern Growth Industries, Inc. (1/3-5)
June 28, 1961 filed 100,000 common shares. **Price**—$6. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—Poinsett Hotel Building, Greenville, S. C. **Underwriter**—Capital Securities Corp., Greenville, S. C.

• Southern Realty & Utilities Corp. (1/15-19)
May 26, 1961 filed $4,140,000 of 6% convertible debentures due 1976, with warrants to purchase 41,000 common shares, to be offered for public sale in units of $500 of debentures and warrants for five common shares. **Price**—At 100% of principal amount. **Business**—The development of unimproved land in Florida. **Proceeds**—For the repayment of debt, the development of property, working capital and other corporate purposes. **Office**—1674 Meridian Avenue, Miami Beach, Fla. **Underwriters** — Hirsch & Co., and Lee Higginson Corp., N. Y.

• Southern Syndicate, Inc. (1/8-12)
Sept. 13, 1961 filed 300,000 common. **Price**—By amendment. **Business**—Real estate investment. **Proceeds**—For repayment of loans and working capital. **Office**—2501 Bank of Georgia Bldg., Atlanta. **Underwriter**—Johnson, Lane, Space Corp., Savannah.

Southwest Recreation Associates, Inc.
Nov. 29, 1961 ("Reg. A") $150,000 6% convertible subordinated sinking fund debentures due 1973; and 30,000 common shares. **Price**—For the debentures: $500. For the stocks: $5. **Business**—Operation of bowling alleys. **Proceeds** — For debt repayment and working capital. **Office**—2711 N. 24th St., Phoenix. **Underwriter**—A. G. Edwards & Sons, St. Louis.

• Southwest Factories, Inc.
Oct. 10, 1961 ("Reg. A") 100,000 capital shares. **Price**—$3. **Proceeds**—For debt repayment, equipment, research and development and general corporate purposes. **Office**—1432 W. Main St., Oklahoma City, Okla. **Underwriter**—Best & Garey Co., Inc., Washington, D. C. **Offering**—Imminent.

★ Southwestern Insurance Co.
Dec. 26, 1961 filed 220,000 common. **Price**—By amendment. **Business**—Writes automobile casualty insurance in Oklahoma and Arkansas. **Proceeds**—For redemption of surplus fund certificates and expansion. **Office**—5620 N. Western Ave., Oklahoma City. **Underwriters**—Eppler, Guerin & Turner, Inc., Dallas and R. J. Edwards, Inc., Oklahoma City.

• Space Age Materials Corp. (SAMCO) (1/8-12)
Sept. 19, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—The manufacture of high temperature materials for the space, nuclear and missile fields, and components used in the communications field. **Proceeds**—For equipment, research and development, and working capital. **Office**—31-26 Greenpoint Avenue, Long Island City, N. Y. **Underwriter**—Durum Securities Corp., 511 5th Ave., N. Y.

Space Financial Corp.
Nov. 24, 1961 ("Reg. A") 100,000 common. **Price**—$2. **Business**—A small business investment company. **Proceeds**—For working capital. **Office**—113 W. 2nd St., Casa Grande, Ariz. **Underwriters**—Preferred Securities, Inc., and Brown & Co. Investment Securities, Phoenix.

Spandex Corp. (1/29-2/2)
Oct. 25, 1961 ("Reg. A") 90,000 common. **Price**—$3. **Business**—Manufacture of a synthetic elastic yarn and other synthetic fibres. **Proceeds**—For general corporate purposes. **Office**—186 Grand St., N. Y. **Underwriter**—McLaughlin, Kaufman & Co., N. Y. **Offering**—In January.

★ Spartan International Inc.
Dec. 22, 1961 filed 175,000 common. **Price**—$4. **Business**—Manufacture of metal shower receptors, precast concrete receptors, prefabricated metal showers and baseboard radiators. **Proceeds**—For a new plant in Canada. **Office**—52-55 74th Ave., Maspeth, L. I., N. Y. **Underwriter**—M. H. Woodhill, Inc., N. Y.

Spears (L. B.), Inc.
Oct. 30, 1961 filed 65,000 common. **Price**—$5. **Business**—Operation of retail furniture stores. **Proceeds** — For working capital. **Office**—2212 Third Ave., N. Y. **Underwriter**—Arnold Malkan & Co., Inc., N. Y.

Sperti Products, Inc. (2/26-3/2)
Nov. 29, 1961 filed 230,000 common of which 200,000 are to be offered by the company and 30,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of drug and food products, electrical and electronic devices and precision machinery. **Proceeds**—For the purchase of certain patents, repayment of debt, and working capital.

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Office—730 Grand St., Hoboken, N. J. **Underwriter**—Blair & Co., N. Y

• Spiral Metal Co., Inc. (2/13-16)
Dec. 7, 1961 ("Reg. A") 100,000 common. **Price** — $2.50. **Business**—Broker and dealer in gold and silver bullion and other non-ferrous metals. It also does processing and smelting. **Proceeds**—For a new refinery, debt repayment and working capital. **Office**—E. William St., Hopelawn (Woodbridge), N. J. **Underwriter**—Flomenhaft, Seidler & Co., N. Y.

Sportsmen, Inc. (1/8-12)
Nov. 29, 1961 filed $100,000 of 6% subordinated convertible debentures due 1977 and 50,000 common to be offered in units, each consisting of $20 of debentures and 10 shares. **Price**—$60 per unit. **Business**—Design and manufacture of fishing and archery equipment and fiber glass household items. **Proceeds**—For general corporate purpose. **Office**—131 Saw Mill River Rd., Yonkers, N. Y. **Underwriter**—William, David & Motti, Inc., N. Y.

Standard Industries, Inc.
Oct. 13, 1961 filed 210,000 common, of which 183,000 are to be offered by the company and 27,000 by a stockholder. **Price**—By amendment. **Business**—Production of crushed limestone, gravel, and ready-mix concrete and construction of highways, etc. **Proceeds**—General corporate purposes. **Office**—731 Mayo Bldg., Tulsa, Okla. **Underwriter**—Allen & Co., N. Y. **Offering**—In Jan.

• Standard & Poor's Corp. (1/4-5)
Nov. 13, 1961 filed 261,896 common. **Price**—By amendment. **Business**—Publishers of financial information. **Proceeds**—For selling stockholders. **Office**—345 Hudson St., N. Y. **Underwriter**—Smith, Barney & Co., N. Y.

Stanley Industries Corp.
Oct. 26, 1961 filed 80,000 common. **Price**—$4. **Business**—Design, manufacture and sale of heavy-duty stainless steel equipment. **Proceeds**—For debt repayment and general corporate purposes. **Office**—454 Livonia Ave., Brooklyn, N. Y. **Underwriter**—Edwards & Hanly, Hempstead, N. Y.

Star Home and Shelter Corp.
June 28, 1961 filed 133,000 commn and 133,000 warrants to be offered in units, each unit consisting of one common share and one warrant. **Price**—$3 per unit. **Business**—The construction and sale of shell homes. **Proceeds**—For repayment of loans, advances to a subsidiary, establishment of branch sales offices and working capital. **Office**—336 S. Salisbury Street, Raleigh, N. C. **Underwriter**—D. E. Liederman & Co., Inc., N. Y. (mgr.). **Note**—This firm formerly was known as Star Homes, Inc. **Offering**—In late January.

Starmatic Industries, Inc.
Nov. 3, 1961 filed 100,000 common. **Price**—By amendment. **Business** — Manufacture of boxes, brochures, packaging materials and packaging machines. **Proceeds**—For debt repayment and general corporate purposes. **Office**—252 W. 30th St., N. Y. **Underwriter**—N. A. Hart & Co., Bayside, N. Y. **Offering**—In February.

• Steel Plant Equipment Corp. (1/8-12)
Oct. 2, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Proceeds**—For equipment and working capital. **Address**—Norristown, Pa. **Underwriter**—Joseph W. Hurley & Co., Norristown, Pa.

Sterling Extruder Corp. (1/8-12)
Sept. 12, 1961 filed 90,000 common, of which 20,000 are to be offered by the company and 70,000 by the stockholders. **Price** — $10. **Business** — The manufacture of plastic extrusion machinery and auxiliary equipment. **Proceeds**—For working capital. **Office**—1537 W. Elizabeth Ave., Linden, N. J. **Underwriter** — Marron, Sloss & Co., N. Y.

Stevens Markets, Inc.
Dec. 8, 1961 ("Reg. A") 13,559 class A common. **Price**—$7.37. **Business**—Operation of supermarkets. **Proceeds**—For selling stockholders. **Office**—5701 N. W. 35th Ave., Miami, Fla. **Underwriter**—Floyd D. Cerf Jr., Co., Inc., Chicago.

Stokley-Van Camp, Inc. (2/5-9)
Nov. 29, 1961 filed $15,000,000 of convertible subordinated debentures due 1982 to be offered by the company, and 100,000 common shares by a stockholder. **Price** — By amendment. **Business** — Processing and distributing of various canned and frozen food products. **Proceeds**—For debt repayment and working capital. **Office**—941 N. Meridian St., Indianapolis. **Underwriter**—Reynolds & Co., Inc., N. Y.

Struthers Scientific & International Corp. (1/2-5)
Oct. 23, 1961 filed 150,000 class A common. **Price**—By amendment. **Business**—Company was recently formed by Struthers Wells Corp., to take over latter's recent developments in saline water conversion and certain manufacturing, international engineering and sales activities. **Proceeds**—For general corporate purpose. **Office**—111 W. 50th St., N. Y. **Underwriter**—Hirsch & Co. Inc., N. Y.

Sun City Dairy Products, Inc.
Oct. 27, 1961 filed 120,000 common. **Price**—$5. **Business**—Distribution of eggs and dairy products in Florida and other southeastern states. **Proceeds**—General corporate purposes. **Office**—3601 N. W. 50th St., Miami, Fla. **Underwriter**—Seymour Blauner Co., N. Y.

Sunset Industries, Inc.
Nov. 24, 1961 ("Reg. A") 75,000 common. **Price**—$3.75. **Business**—Wholesale and retail sale of builders' supplies. **Proceeds**—For general corporate purposes. **Office**—1029 Sunset Blvd., Los Angeles. **Underwriter**—Costello, Russotto & Co., Los Angeles.

• Super Valu Stores, Inc. (1/3)
Oct. 11, 1961 filed 115,000 common. **Price**—By amendment. **Business** — Distributes food and related products to franchised retail stores. **Proceeds** — Debt repayment, inventories, expansion and other corporate purposes. **Office** — 101 Jefferson Ave., Hopkins, Minn. **Underwriters**—White, Weld & Co., Inc., N. Y. and J. M. Dain & Co., Inc., Minneapolis.

• Susan Crane Packaging, Inc. (1/4)
Aug. 28, 1961 filed 150,000 common. **Price**—$10. **Business**—The manufacture of gift wrap, packaging materials and greeting cards. **Proceeds**—For repayment of loans, expansion, working capital and general corporate purposes. **Office**—8107 Chancellor Row, Dallas. **Underwriter**—C. E. Unterberg, Towbin Co., N. Y. **Note**—This statement has become effective.

• Swift Homes, Inc. (1/2-5)
Sept. 15, 1961 filed 240,000 common, of which 80,000 will be sold by the company and 160,000 by stockholders. **Price**—By amendment. **Business**—The manufacture, sale and financing of factory-built homes. **Proceeds**—To expand credit sales and open new sales offices. **Address**—1 Chicago Ave., Elizabeth, Pa. **Underwriter**—Eastman Dillon, Union Securities & Co., N. Y.

★ Taylor Publishing Co.
Dec. 21, 1961 filed 152,600 common. **Price**—By amendment. **Business** — Production and distribution of school year-books and commercial printing. **Proceeds**—For selling stockholders. **Office**—6320 Denton Dr., Dallas. **Underwriter**—Dallas Rupe & Son, Inc., Dallas, Tex.

Technibilt Corp. (2/19-21)
Nov. 28, 1961 filed 150,000 common. **Price**—$4. **Business**—Manufacture of shopping carts and related products. **Proceeds**—For debt repayment, equipment and working capital. **Office**—905 Air Way, Glendale, Calif. **Underwriter**—Frank Karasik & Co., N. Y.

Technical Animations, Inc.
Nov. 30, 1961 filed $211,400 of 7% conv. subord. debentures due 1972 (with warrants) to be offered for subscription by holders of class A and class B common at the rate of $100 of debentures for each 280 shares held. **Price**—$100 per unit ($100 of debentures and one warrant to purchase 14 class A shares). **Business**—Design and manufacture of animated transparencies and other technical training aids and displays. **Proceeds**—For debt repayment, expansion, research, and working capital. **Office**—11 Sintsink Dr., East Port Washington, N. Y. **Underwriters**—Bull & Low; John R. Maher Associates; and R. Topik & Co., Inc., N. Y.

Tec-Torch Co., Inc. (2/5-9)
Nov. 28, 1961 filed 100,000 common. **Price**—$3.25. **Business** — Design and manufacture, of inert gas welding equipment. **Proceeds**—For debt repayment, expansion and working capital. **Office**—153 Union Ave., East Rutherford, N. J. **Underwriter**—Scott, Harvey & Co., Inc., Fairlawn, N. J.

Tel-A-Sign, Inc.
Oct. 30, 1961 filed $900,000 of convertible subordinated debentures due 1974 and 180,000 common to be offered in units consisting of $100 of debentures and 20 common. **Price**—By amendment. **Business** — Manufactures illuminated and non-illuminated signs and other advertising material. **Proceeds** — For debt repayment and working capital. **Office** — 3401 W. 47th St., Chicago. **Underwriter**—Clayton Securities Corp., Boston.

• Tele-Communications Corp (1/8)
Sept. 29, 1961 ("Reg. A") 100,000 class A common. **Price**—$3. **Proceeds**—For debt repayment, advertising, research and development, plant improvement and working capital. **Office**—41 E. 42nd St., N. Y. **Underwriter**—Edward Lewis Co., Inc., N. Y.

Texas Electro-Dynamic Capital, Inc.
Oct. 16, 1961 filed 250,000 common. **Price**—By amendment. **Business**—A small business investment company. **Proceeds**—General corporate purposes. **Office**—1947 W. Gray Ave., Houston. **Underwriter**—Moroney, Beissner & Co., Inc., Houston.

Texas Power & Light Co. (1/23)
Dec. 13, 1961 filed $10,000,00 of sinking fund debentures due 1987. **Proceeds**—For debt repayment and construction. **Office** — 1511 Bryan St., Dallas. **Underwriters**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.-Blyth & Co., Inc.-Kidder, Peabody & Co.-Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly); Lehman Brothers; White, Weld & Co.; First Boston Corp.; Eastman Dillon, Union Securities & Co.-Salomon Brothers & Hutzler (jointly). **Bids**—Expected Jan. 23, 1962 at 11:30 a.m.

Texas Tennessee Industries, Inc. (1/29-2/2)
Oct. 26, 1961 filed 175,000 common, of which 150,000 shares are to be offered by the company and 25,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of water coolers, water cans and portable hot beverage dispensers. **Proceeds**—For debt repayment and general corporate purposes. **Office**—6502 Rusk Ave., Houston. **Underwriter** — S. D. Fuller & Co., N. Y.

★ Thompson Manufacturing Co., Inc.
Dec. 22, 1961 filed 90,000 common, of which 80,000 shares are to be offered by the company and 10,000 by stockholders. **Price**—$4. **Business**—Design and manufacture of special machinery for bowling alleys and related equipment. **Proceeds**—For debt repayment and general corporate purposes. **Office**—Canal St., Lancaster, Pa. **Underwriter**—Packer-Wilbur Co., Inc., N. Y.

Tidewater Lumber Co.
Oct. 23, 1961 filed 200,000 common. **Price**—$5. **Business**—Wholesale lumber company. **Proceeds**—For debt repayment and working capital. **Office** — 1600 Hillside Ave., New Hyde Park, N. Y. **Underwriter**—Rubin, Rennert & Co., Inc., N. Y.

• Tokyo Shibaura Electric Co., Ltd. ("Toshiba") (1/29-2/2)
Dec. 5, 1961 filed 30,000,000 common to be offered for public sale in the U. S., in the form of 600,000 American Depositary Shares, each representing 50 common shares of the company. **Price**—By amendment. **Business**—Manufactures a broad line of electrical and electronic equipment including home appliances, radio and TV, heavy duty equipment, tubes and semi-conductors. **Proceeds**—For the account of a subsidiary. **Office**—Tokyo, Japan. **Underwriters**—Smith, Barney & Co., and the Nomura Securities Co. Ltd., N. Y.

Tokyo Shibaura Electric Co., Ltd. ("Toshiba")
Dec. 8, 1961 filed 50,000,000 common shares to be offered to stockholders on the basis of one new share for each two held of record Dec. 30. **Price**—$0.125. **Business**—Manufactures a broad line of electrical and electronic equipment. **Proceeds** — For expansion. **Office**—Tokyo, Japan. **Underwriters**—None.

Tonka Toys, Inc.
Dec. 8, 1961 ("Reg. A") 6,450 common. **Price** — By amendment. **Business**—Design and manufacture of toys. **Proceeds**—For the selling stockholders. **Address**—Mound, Minn. **Underwriter**—Bache & Co., N. Y.

Tri-State Displays, Inc.
July 24, 1961 ("Reg. A") 200,000 common . **Price**—$1.15. **Proceeds**—For working capital. **Office**—1221 Glenwood Ave., Minneapolis. **Underwriter**—Continental Securities, Inc., Minneapolis.

Tork Time Controls, Inc. (2/26-3/2)
Dec. 12, 1961 filed 150,000 common. **Price**—By amendment. **Business**—Design and manufacture of time controlled switches. **Proceeds**—For debt repayment, expansion, and working capital. **Office**—1 Grove St., Mount Vernon, N. Y. **Underwriters**—Godfrey, Hamilton, Taylor & Co., and Magnus & Co., N. Y.

Trans-Alaska Telephone Co.
Nov. 29, 1961 filed 265,000 common, of which 250,000 are to be offered by the company and 15,000 by a stockholder. **Price**—$6. **Proceeds**—For construction, and acquisition, repayment of debt, and other corporate purposes. **Office**—110 E. 6th Ave., Anchorage, Alaska. **Underwriter**—Milton D. Blauner & Co., Inc., N. Y.

Transdata, Inc.
Nov. 29, 1961 filed 100,000 common. **Price**—$5. **Business**—Research and development in the data and image processing and transmission field. **Proceeds**—For debt repayment and other corporate purposes. **Office**—1000 N. Johnson Ave., El Cajon, Calif. **Underwriter**—N. C. Roberts & Co., Inc., San Diego.

Trans-Pacific Research & Capital, Inc.
Nov. 27, 1961 filed 47,000 common. **Price**—By amendment. **Business** — Manufacture of high pressure valves and accessories. **Proceeds**—For expansion, working capital, and possible acquisitions. **Office** — Pacific National Bank Bldg., Bellevue, Wash. **Underwriter**—Hill, Darlington & Grimm, N. Y. **Offering**—In February.

Tri-Point Industries, Inc. (1/10)
Sept. 28, 1961 filed 160,000 common, of which 80,000 are to be offered by the company and 80,000 shares by stockholders. **Price**—By amendment. **Business**—Manufacture of precision, plastic components. **Proceeds**—For repayment of loans, advertising, equipment and working capital. **Office**—175 I. U. Willets Rd., Albertson, L. I., N. Y. **Underwriter**—Hill, Darlington & Grimm, N. Y.

Trio-Tech, Inc. (1/8-12)
Oct. 6, 1961 ("Reg. A") 100,000 common. **Price**—$2. **Business**—Manufacture of Electronic Parts and Equipment. **Proceeds**—For debt repayment, machinery, new products, leasehold improvements and working capital. **Office**—3410 W. Cohasset St., Burbank, Calif. **Underwriter**—Ezra Kureen Co., N. Y.

Tripoli Co., Inc. (1/8-12)
Oct. 20, 1961 ("Reg. A") 60,000 common. **Price** — $5. **Business** — Manufacture of a wide variety of cosmetics. **Proceeds**—For equipment, inventory and working capital. **Office**—1215 Walnut St., Philadelphia. **Underwriter**—D. L. Greenbaum & Co., Philadelphia.

Triton Electronics, Inc.
Sept. 26, 1961 filed 108,000 common, of which 76,500 will be offered by the company and 31,500 by stockholders. **Price**—$4.50. **Business**—Manufacture of magnetic recording tape and metallic yarns. **Proceeds**—For research and development, advertising, and working capital. **Office**—62-05 30th Ave., Woodside, N. Y. **Underwriter**—To be named.

★ Trygon Electronics Inc.
Dec. 22, 1961 filed 100,000 common, of which 52,000 are to be offered by the company and 48,000 by stockholders. **Price**—$6. **Business**—Design, manufacture and sale of power supplies. **Proceeds**—For debt repayment and working capital. **Office**—111 Pleasant Ave., Roosevelt, L. I., N. Y. **Underwriter**—William, David & Motti, Inc., N. Y.

• Turbodyne Corp.
May 10, 1961 filed 127,500 shares of common stock. **Price**—$5 per share. **Business** — The research, development, manufacturing and marketing of space and rocket engines, and related activities. **Proceeds**—For research and development, and working capital. **Office**—1346 Connecticut Ave., N. W., Washington, D. C. **Underwriter**—Sandkuhl & Co., Inc., Newark, N. J., and N. Y. C. **Offering**—Expected sometime in March.

Turner Engineering & Automation Corp. (1/15-19)
Sept. 27, 1961 ("Reg. A") 75,000 common. **Price**—$4. **Business**—Manufactures electronic devices and components. **Office**—209 Glenside Ave., Wyncote, Pa. **Underwriter** — Valley Forge Securities Co., Inc., Phila.

Twentieth Century Capital Corp.
Nov. 24, 1961 filed 250,000 common. **Price**—By amendment. **Business**—A small business investment company. **Proceeds**—For general corporate purposes. **Office**—134 S. La Salle St., Chicago. **Underwriter**—Bacon, Whipple & Co., Chicago.

★ **21 Brands, Inc.**
Dec. 22, 1961 filed 800,000 common, of which 550,000 are to be offered by the company and 250,000 by stockholders. **Price**—By amendment. **Business**—Distribution of imported and American wines and whiskies. **Proceeds**—For debt repayment, expansion and working capital. **Office**—23 W. 52nd St., N. Y. **Underwriters**—A. C. Allyn & Co., Chicago and Hornblower & Weeks, N. Y.

● **Tyson Metal Products, Inc. (1/15-19)**
Oct. 26, 1961 filed 70,000 common, of which 21,000 shares are to be offered by the company and 49,000 by stockholders. **Price**—By amendment. **Business**—Manufacture of food and beverage service equipment. **Proceeds**—For working caiptal. **Office**—6815 Hamilton Ave., Pittsburgh. **Underwriter** — Arthurs, Lestrange & Co., Pittsburgh.

● **Ultra Plastics Inc. (1/29-2/2)**
Sept. 19, 1961 filed 150,000 class A common. **Price**—$4. **Business**—The manufacture of outdoor plastic signs and urethane foam. **Proceeds**—For equipment, repayment of debt, inventory, additional personnel, advertising and **Underwriter**—Amos Treat & Co., N. Y.

Uneeda Vending Service, Inc.
Dec. 14, 1961 ("Reg. A") 73,500 common. **Price** — $3. **Business** — Purchase of new and used coin-operated vending and recreational machines. **Proceeds**—For general corporate purposes. **Office**—166 Clymer St., Brooklyn, N. Y. **Underwriter**—Capital Consultants Corp., N. Y.

Union Title Co. (1/9-12)
Aug. 28, 1961 filed 150,000 capital shares. **Price**—$7.50. **Business**—The insuring of real estate titles. **Proceeds**—For working capital and expansion. **Office**—222 N. Central Ave., Phoenix. **Underwriter**—None.

● **Union Trust Life Insurance Co. (1/9-12)**
Sept. 25, 1961 filed 300,000 common. **Price**—By amendment. **Business**—Sale of life, and health and accident insurance. **Proceeds** — For investment. **Office** — 611 N. Broadway St., Milwaukee. **Underwriters**—None. **Note**—This statement has become effective.

● **Unison Electronics Corp.**
Nov. 27, 1961 filed 250,000 common. **Price**—$2.50. **Business**—Manufacture of high-precision instrument components for missile and aircraft guidance systems. **Proceeds**—For general corporate purposes. **Office**—Grand Haven, Mich. **Underwriter**—Strathmore Securities, Inc., Pittsburgh, Pa. **Note**—This registration was withdrawn.

● **United Aero Products Corp. (1/22-26)**
Sept. 28, 1961 filed $600,000 of 6% conv. subord. debentures due 1971. **Price**—At par. **Business**—Manufacture of precision machined parts for the aircraft, missile, electronics and nuclear industries. **Proceeds**—Debt repayment, research and development, expansion and working capital. **Office**—Columbus Rd., Burlington, N. J. **Underwriters**—Hess, Grant & Remington, Inc., Philadelphia and Arthurs, Lestrange & Co., Pittsburgh.

United Investors Life Insurance Co.
Dec. 15, 1961 filed 562,500 common, of which 472,100 shares are to be offered for subscription by stockholders of Waddell & Reed, Inc., parent, on the basis of one United share for each two Waddell shares held. The remaining 90,400 shares will be offered to certain persons associated with the parent company or its subsidiaries. **Price**—By amendment. **Business**—A legal reserve life insurance company. **Proceeds**—For the account of Waddell & Reed. **Office**—20 W. 9th St., Kansas City, Mo. **Underwriter**—Kidder, Peabody & Co., N. Y.

United Packaging Co., Inc. (2/26-3/2)
Nov. 29, 1961 filed 102,000 common. **Price**—$3. **Business**—A general packaging business. **Proceeds** — For new machinery, debt repayment and working capital. **Office**—4511 Wayne Ave., Philadelphia. **Underwriter**—Godfrey, Hamilton, Taylor & Co., Inc., N. Y.

United Scientific Laboratories, Inc. (1/16)
Aug. 18, 1961 filed 360,000 common shares. **Price**—$2. **Business**—The manufacture of high fidelity stereo tuners and amplifiers and amateur radio transceivers. **Proceeds**—For repayment of debt, increase in sales personnel, tooling and production and working capital. **Office**—35-15 37th Ave., Long Island City, N. Y. **Underwriter**—Fred F. Sessler Co., Inc., N. Y.

● **U. S. Controls, Inc. (1/22-26)**
Sept. 28, 1961 filed 120,000 common. **Price**—$2.25. **Business**—The manufacture of automatic control systems. **Proceeds**—For repayment of debt, a sales and advertising program, research and development, equipment and working capital. **Office** — 410 Fourth Ave., Brooklyn. **Underwriter**—N. A. Hart & Co., Bayside, N. Y.

● **United States Crown Corp. (1/8-12)**
Aug. 22, 1961 filed 150,000 common. **Price**—$8. **Business**—The manufacture of specialized bottle caps. **Proceeds**—For equipment, working capital and general corporate purposes. **Office**—437 Boulevard, East Paterson, N. J. **Underwriter**—Adams & Peck, N. Y. (mgr.)

U. S. Electronic Publications, Inc.
Sept. 26, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Publishing of military and industrial handbooks. **Proceeds**—Debt repayment, expansion and working capital. **Office**—480 Lexington Ave., N. Y. **Underwriter**—Douglas Enterprises, 8856 18th Ave., Brooklyn.

★ **U. S. Realty Investments**
Dec. 21, 1961 filed 600,000 shares of beneficial interests. **Price**—By amendment. **Business**—A real estate investment trust. **Proceeds** — For general corporate purposes. **Office**—720 Euclid Ave., Cleveland. **Underwriter**—Hornblower & Weeks, N. Y.

● **United Variable Annuities Fund, Inc.**
April 11, 1961 filed 2,500,000 shares of stock. **Price**—$10 per share. **Business**—A new mutual fund. **Proceeds**—For investment. **Office**—20 W. 9th Street, Kansas City, Mo. **Underwriter**—Waddell & Reed, Inc., Kansas City, Mo. **Offering**—Expected in early March.

Univend Corp. (1/8-12)
Sept. 29, 1961 ("Reg. A") 115,000 common. **Price**—$2.50. **Business**—Operates coin-vending machines for food and drink. **Proceeds** — For expansion and working capital. **Office**—28 O'Brien Place, Broklyn, N. Y. **Underwriter**—Ezra Kureen Co., N. Y.

Universal Electronics Laboratories Corp.
Sept. 28, 1961 filed 90,250 common, of which 76,250 will be sold by the company and 14,000 by stockholders. **Price**—By amendment. **Business**—Design, development and production of teaching machines. **Proceeds**—For production expenses, advertising, marketing etc. **Office**—510 Hudson St., Hackensack, N. J. **Underwriters**—To be named.

● **Universal Lighting Products, Inc.**
Sept. 21, 1961 filed 175,000 common. **Price**—$1. **Business**—Manufacturer of lighting fixtures and display and merchandising equipment for use in gasoline service stations. **Proceeds** — Repayment of debt and working capital. **Office**—55 Bergenline Ave., Westwood, N. J. **Underwriter**—Globus, Inc., N. Y. **Offering**—Sometime in February.

Universal Waterproofing Corp.
Nov. 17, 1961 ("Reg. A") 60,000 common. **Price** — $3. **Business**—Application of water-proofing materials, remedial work to buildings. **Proceeds**—For working capital. **Office**—613 E. 12th St., N. Y. **Underwriter**—Professional & Executive Planning Corp., Long Beach, N. Y., and E. J. Roberts & Co., East Orange, N. J.

Uropa International, Inc. (1/8-12)
Sept. 28, 1961 filed 120,000 common. **Price**—$2.50. **Business**—Importing of compact appliances and stereophonic radio and phonograph consoles. **Proceeds**—For working capital. **Office**—16 W. 32nd St., N. Y. **Underwriter**—Dean Samitas & Co., N. Y.

U-Tell Corp. (1/8-12)
Sept. 18, 1961 ("Reg. A") 31,097 common. **Price**—$5. **Business** — Operation of a discount department store. **Office**—3629 N. Teutonia Ave., Milwaukee, Wis. **Underwriter**—Continental Securities Corp., Milwaukee, Wis.

● **Val-U Homes Corp. of Delaware (1/15-19)**
Aug. 28, 1961 filed 100,000 common. **Price**—$5. **Business**—The manufacture of prefabricated buildings and shell homes. **Proceeds**—For working capital. **Office**—765 River St., Paterson, N. J. **Underwriter**—To be named.

★ **Valle's Steak House**
Dec. 22, 1961 filed 78,812 common, of which 55,736 are to be offered by the company and 23,076 shares by a stockholder. **Price**—By amendment. **Business**—The operation of four restaurants in Maine and Mass. **Proceeds**—For expansion, debt repayment and general corporate purposes. **Office**—646 Forest Ave., Portland, Maine. **Underwriters**—H. M. Payson & Co., Portland, and R. W. Pressprich & Co., N. Y.

● **Valley Metallurgical Processing Co. (1/22-26)**
Oct. 23, 1961 filed 70,000 common. **Price**—By amendment. **Business**—Production of metal powders for the rocket, munitions and pyrotechnics industries. **Proceeds**—For debt repayment and general corporate purposes. **Office**—Essex, Conn. **Underwriter**—McDonnell & Co. Inc., N. Y.

Van Der Hout Associates Ltd.
Nov. 29, 1961 filed 100,000 common. **Price**—By amendment. **Business**—National distributor of automotive parts in Canada. **Proceeds**—For selling stockholders. **Office**—1480 Lake Shore Rd., Toronto. **Underwriter**—Rosmar Corp., Ltd., Toronto.

Van-Pak, Inc. (1/22-26)
Sept. 15, 1961 filed 140,000 common. **Price**—$15. **Business**—A nation-wide and overseas non-regulated freight forwarder engaged in the forwarding of household goods. **Proceeds**—To repay debt, purchase metal containers, and increase working capital. **Office** — 542 Insurance Exchange Bldg., Des Moines, Iowa. **Underwriter**—Hodgdon & Co., Inc., Washington, D. C.

Varicraft Industries, Inc. (1/3-5)
Nov. 7, 1961 ("Reg. A") 120,000 common. **Price**—$2.25. **Business**—Custom design and manufacture of furniture. **Proceeds**—For debt repayment and working capital. **Office**—45th St. and Crescent Blvd., Pennsauken, N. J. **Underwriter**—Mayo & Co., Inc., Philadelphia.

● **Vending International, Inc.**
Nov. 30, 1961 ("Reg. A") 70,588 common. **Price**—$4.25. **Business** — Automatic vending of food, beverages and cigarettes. **Proceeds**—For debt repayment, equipment and foreign expansion. **Office**—436 Fourth Ave., Mansfield, O. **Underwriter**—H.P.Black & Co.,Washington,D.C. **Offering**—Imminent.

Vendotronics Corp.
Sept. 1, 1961 ("Reg. A") 150,000 common. **Price**—$2. **Business**—The manufacture of automatic popcorn vending machines. **Proceeds**—For repayment of loans, advertising, inventory, working capital and general corporate purposes. **Office**—572 Merrick Rd., Lynbrook, N. Y. **Underwriter**—B. G. Harris & Co., Inc., N. Y. **Offering**—Imminent.

Venus Drug Distributors, Inc.
Oct. 2, 1961 filed 168,000 common, of which 120,000 are to be sold by the company and 48,000 by stockholders. **Price**—$5. **Business**—Wholesale distribution of cosmetics. **Proceeds**—For new product development, advertising and working capital. **Office** — 4206 W. Jefferson Blvd., Los Angeles, Calif. **Underwriter**—Garat & Polonitza, Inc., Los Angeles.

● **Vic Tanny Enterprises, Inc. (1/15)**
May 11, 1961 filed 200,000 shares of class A common to be sold by Mr. Vic Tanny, a stockholder, who will use proceeds to repay debt to company. **Price**—$6.25. **Business**—The operation of a national chain of gymnasiums and health centers for men and women. **Office**—375 Park Ave., N. Y. **Underwriters**—Globus, Inc., and Ross, Lyon & Co., Inc., N. Y.

Virginia Dare Stores Corp. (1/2-5)
Oct. 27, 1961 filed 154,000 common, of which 100,000 shares are to be offered by the company and 54,000 shares by stockholders. **Price**—By amendment. **Business**—Operation of stores selling women's, misses and children's apparel. **Proceeds**—For working capital. **Office**—111 Eighth Ave., N. Y. **Underwriter**—Lehman Brothers, N. Y.

★ **Visual Arts Industries, Inc.**
Dec. 26, 1961 filed 95,000 common. **Price**—$2. **Business**—Design, assembly, production and sale of creative arts, crafts, hobbies and educational toys. **Proceeds**—For debt repayment. **Office**—68 Thirty-third St., Brooklyn, N. Y. **Underwriters**—Ross, Lyon & Co., and Globus, Inc., N. Y.

Vitamin Specialties Co. (1/29-12/2)
Nov. 6, 1961 ("Reg. A") 100,000 capital shares. **Price**—$3. **Business** — Sale of vitamin products and proprietary drugs. **Proceeds**—For debt repayment and working capital. **Office**—3610-14 N. 15th St., Philadelphia. **Underwriter**—Woodcock, Moyer, Fricke & French, Inc., Philadelphia.

Voldale, Inc. (1/8-12)
Oct. 20, 1961 ("Reg. A") 54,000 common. **Price**—$4.25. **Business**—Acquisition and development of new patents. **Proceeds**—For debt repayment and working capital. **Office**—35-10 Astoria Blvd., Long Island City, N. Y. **Underwriter**—Peters, Writer & Christensen, Inc., Denver.

Volume Distributors, Inc.
Nov. 24, 1961 filed 90,000 common. **Price**—By amendment. **Business**—Operation of a self-service family shoe store chain and shoe departments in discount department stores. **Proceeds**—For debt repayment and other corporate purposes. **Office**—115 W. Crane St., Topeka, Kan. **Underwriter**—Stern Brothers & Co., Kansas City, Mo.

Vornado, Inc. (2/5-9)
Dec. 7, 1961 filed $5,500,000 of convertible subordinated debentures due 1982, to be offered to common stockholders at the rate of $100 of debentures for each 25 shares held. **Price**—By amendment. **Business**—Operates a chain of retail "discount" stores and manufactures electric appliances. **Proceeds**—For expansion. **Office**—174 Passaic St., Garfield, N. J. **Underwriter**—Bache & Co., N. Y.

● **Voron Electronics Corp. (1/15-19)**
July 28, 1961 filed 100,000 class A shares. **Price** — $3. **Business**—The manufacture of electronic test equipment, the sale, installation and servicing of industrial and commercial communications equipment and the furnishing of background music. **Proceeds**—For tooling, production, engineering, inventory and sales promotion of its products and for working capital. **Office** — 1230 E. Mermaid Lane, Wyndmoor, Pa. **Underwriters** — John Joshua & Co., Inc., and Reuben Rose & Co., New York.

Walston Aviation, Inc.
Oct. 30, 1961 filed 90,000 common, of which 60,000 are to be offered by the company and 30,000 by a stockholder. **Price**—$6.25. **Business**—Sells Cessna Airplanes and supplies; also repairs and services various type airplanes. **Proceeds** — For expansion and general corporate purposes. **Office**—Civic Memorial Airport, E. Alton, Ill. **Underwriter**—White & Co., Inc., St. Louis.

● **Waterman Steamship Corp.**
Aug. 29, 1961 filed 1,743,000 common. **Price**—By amendment. **Business** — The carrying of liner-type cargoes. **Proceeds**—For the purchase of vessels, and working capital. **Office**—71 Saint Joseph St., Mobile, Ala. **Underwriter**—Shields & Co. Inc., N. Y. (mgr.). **Offering**—Expected sometime in March.

Weiss Bros. Stores, Inc. (1/15-19)
Oct. 27, 1961 filed 140,000 class A shares, of which 25,000 are to be offered by the company and 115,000 by stockholders. **Price**—By amendment. **Business**—Operates 12 women's apparel stores and sells men's and women's apparel in leased departments of other specialty stores. **Proceeds**—For debt repayment. **Office** –1 W. 39th St., N. Y. **Underwriter** — Francis I. duPont & Co., N. Y.

West Coast Bowling Corp.
May 26, 1961 filed 100,000 common. **Price**—$5. **Business**—The company plans to acquire and operate bowling centers primarily in California. **Proceeds**—For general corporate purposes. **Office**—3300 West Olive Avenue, Burbank, Calif. **Underwriter**—Hill Richards & Co. Inc., Los Angeles (mgr.). **Offering**—Imminent.

West Coast Telephone Co. (1/15-19)
Dec. 11, 1961 filed 110,000 common. **Price**—By amendment. **Proceeds**—For debt repayment and construction. **Office**—1714 California St., Everett, Wash. **Underwriter**—Blyth & Co., Inc., N. Y.

West Falls Shopping Center Limited Partnership
Nov. 14, 1961 filed $444,000 of limited partnership interests to be offered in 444 units. **Price**—$1,000. **Business**—Development of a shopping center at Falls Church, Va. **Proceeds**—For general corporate purposes. **Office**—1411 K St., N. W., Washington, D. C. **Underwriter**—Hodgdon & Co., Inc., Washington, D. C. **Offering**—In February.

Westates Land Development Corp. (2/5-9)
Sept. 28, 1961 filed $1,500,000 of 7% convertible subord. debentures due 1976 and 300,000 common shares to be offered in units, each consisting of $100 of debentures and 20 common shares. **Price**—$200 per unit. **Business**—General real estate. **Proceeds**—For debt repayment and working capital. **Office** — 9412 Wilshire Blvd., Beverly Hills, Calif. **Underwriter**—Morris Cohon & Co., N. Y.

Western California Telephone Co. (2/15)
Dec. 18, 1961 filed 84,000 common to be offered for subscription by preferred and common stockholders of rec-

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ord Feb. 15, on the basis of one right for each common share held and two-fifths of a right for each preferred share held. Two rights will be required to purchase one new share. **Price**—By amendment. **Proceeds**—For construction. **Office** — 15900 San Jose-Los Gatos Rd., Los Gatos, Calif. **Underwriter**—Dean Witter & Co., San Francisco.

Western Land Corp.
Oct. 24, 1961 filed 400,000 common. **Price**—$2.25. **Business**—Acquisition, construction and leasing of shopping centers. **Proceeds**—For general corporate purposes. **Office**—2205 First National Bank Bldg., Minneapolis. **Underwriter**—None.

Western Semiconductors, Inc. (1/8-12)
Sept. 20, 1961 ("Reg. A") 100,000 capital shares. **Price**—$3. **Business**—Manufacture of semi-conductors for commercial and military use. **Office**—605-G Alton St., Santa Ana, Calif. **Underwriter**—Currier & Carlsen, Inc., San Diego, Calif.

Western States Real Investment Trust
Nov. 13, 1961 filed 32,000 shares of beneficial interest. **Price**—$6.25. **Business**—A small business investment company. **Proceeds**—For investment. **Office**—403 Ursula St., Aurora, Colo. **Underwriter**—Westco Corp., Aurora, Colo.

Westland Capital Corp. (1/15-19)
Sept. 21, 1961 filed 985,500 common. **Price**—$11. **Business**—A small business investment company. **Proceeds**—For Working capital. **Office**—9229 Sunset Blvd., Los Angeles, Calif. **Underwriter**—Bear, Stearns & Co., N. Y.

White Electromagnetics, Inc.
Oct. 5, 1961 filed 65,000 common. **Price**—$3.75. **Business**—Rendering of consulting services pertaining to electronic system analysis. **Proceeds**—For expansion, publication of technical papers, marketing, product development and working capital. **Office**—4903 Auburn Ave., Bethesda, Md. **Underwriter**—Weil & Co., Inc., Washington, D. C.

Wiatt (Norman) Co. (1/8-12)
Nov. 28, 1961 filed 135,000 common, of which 45,000 shares are to be offered by the company and 90,000 by stockholders. **Price**—By amendment. **Business**—Design and manufacture of ladies' dresses. **Proceeds**—For general corporate purposes. **Office**—124 E. Olympic Blvd., Los Angeles. **Underwriters**—Schwabacher & Co., and J. Barth & Co., San Francisco; and Bear, Stearns & Co., N. Y.

Widmann (L. F.), Inc. (1/22-26)
Oct. 27, 1961 filed 162,000 common, of which 102,000 are to be offered by the company and 60,000 by stockholders. **Price**—$3. **Business**—Operates a chain of retail drug stores. **Proceeds**—Expansion, equipment and working capital. **Office**—738 Bellefonte Ave., Lock Haven, Pa. **Underwriter**—Godfrey, Hamilton, Taylor & Co., N. Y.

● Wiggins Plastics, Inc.
Oct. 20, 1961 ("Reg. A") 100,000 common. **Price**—$3. **Business**—Custom compression, transfer and injection molding of plastic materials. **Proceeds**—For debt repayment and general corporate purposes. **Office**—180 Kingsland Rd., Clifton, N. J. **Underwriter**—Investment Planning Group, Inc., East Orange, N. J. **Offering**—Expected in mid-February.

● Winchell Donut House, Inc. (1/8-12)
Sept. 26, 1961 filed 90,000 common. **Price**—By amendment. **Business** — Sale of doughnut mixes to franchised operators of doughnut shops leased from the company. **Proceeds**—For the selling stockholder. **Office**—1140 W. Main St., Alhambra, Calif. **Underwriter**—McDonnell & Co., Inc., N. Y.

● Windsor (Kay), Inc. (1/8-12)
Sept. 28, 1961 filed 200,000 class A common. **Price**—By amendment. **Business**—Manufacture and sale of women's dresses. **Proceeds**—For a selling stockholder. **Office**—Deane St., New Bedford, Mass. **Underwriter**—Lee Higginson Corp., N.Y.

Windsor Texprint, Inc.
Aug. 25, 1961 filed 265,000 common, of which 250,000 are to be offered by the company and 15,000 by stockholders. **Price**—$2. **Business**—The printing of towels and other textile products. **Proceeds**—For repayment of loans. **Office**—2357 S. Michigan Ave., Chicago. **Underwriter**—D. E. Liederman & Co., Inc., N. Y. **Offering**—In Feb.

World Scope Publishers, Inc. (1/9-12)
July 31, 1961 filed 300,000 common shares. **Price**—By amendment. **Business**—The publishing of encyclopedias and other reference books. **Proceeds**—For repayment of debt, working capital and general corporate purposes. **Office**—290 Broadway, Lynbrook, N. Y. **Underwriter**—Standard Securities Corp., N. Y.

World Toy House, Inc. (2/5-9)
Nov. 24, 1961 filed 150,000 common. **Price**—By amendment. **Business**—A manufacturers' broker specializing in the sale of toys, hobby goods and related items. **Proceeds**—For general corporate purposes. **Office**—408 St. Peter St., St. Paul, Minn. **Underwriter**—Laren Co., N. Y.

● Worldwide Fund Ltd. (1/29-2/2)
Sept. 19, 1961 filed 100,000 common. **Price**—$100. **Business**—The Fund plans to invest primarily in equity securities of foreign issuers. **Office**—Bank of Bermuda Bldg., Hamilton, Bermuda. **Underwriter** — Burnham & Co., N. Y.

Writing Toys Corp.
Nov. 8, 1961 ("Reg. A") 65,650 common. **Price** — $3.25. **Business**—Design and assembly of toys. **Proceeds**—For equipment and working capital. **Office** — 354 Griggs-Midway Bldg., St. Paul, Minn. **Underwriter**—Pewters, Donnelly & Jansen, Inc., St. Paul.

Wulpa Parking Systems, Inc. (2/5-9)
Oct. 13, 1961 ("Reg. A") 75,000 common. **Price**—$4. **Business**—Company plans to manufacture a parking device called the "Wulpa Lift." **Proceeds**—To open locations and increase working capital. **Office**—370 Seventh Ave., N. Y. **Underwriter**—Ehrlich, Irwin & Co., Inc., N. Y.

Wynlit Pharmaceuticals, Inc.
Nov. 27, 1961 filed 150,000 common. **Price**—By amendment. **Business**—Manufacture and distribution of ethical drugs and pharmaceuticals. **Proceeds**—For a new plant, product expansion and working capital. **Office**—91 Main St., Madison, N. J. **Underwriter**—Andresen & Co., N. Y.

Yankee Plastics, Inc.
Sept. 8, 1961 ("Reg. A") 100,000 common. **Price** — $3. **Business**—Manufactures plastic hangers and forms. **Proceeds** — For acquisition of manufacturing facilities and working capital. **Office**—29 W. 34th St., N. Y. **Underwriter**—Sunshine Securities Inc., Rego Park, N. Y. **Offering**—Imminent.

Youthcraft Creations, Inc. (2/13-16)
Dec. 6, 1961 filed 130,000 class A shares, of which 20,000 are to be offered by the company and 110,000 by stockholders. **Price**—By amendment. **Business**—Design and manufacture of foundation garments for "juniors" and women. **Proceeds** — To finance increased accounts receivable and for other corporate purposes. **Office**—21-09 Borden Ave., Long Island City, N. Y. **Underwriter**—Paine, Webber, Jackson & Curtis, N. Y.

Zenith Laboratories, Inc.
Nov. 22, 1961 filed 120,000 common. **Price**—$4.50. **Business**—Development and manufacture of ethical pharmaceuticals, non-prescription drugs, vitamins, etc. **Proceeds**—For repayment of debt and working capital. **Office**—150 S. Dean St., Englewood, N. J. **Underwriter**—Sulco Securities, Inc., N. Y.

Zim Israel Navigation Co., Ltd.
Oct. 5, 1961 filed 20,000 of 7% participating preferred. **Price**—$500. **Business**—Furnishing of passenger and dry-cargo freight services. **Proceeds**—For construction and working capital. **Office**—Haifa, Israel. **Underwriter**—None.

Prospective Offerings

Alberto-Culver Co.
Dec. 20, 1961 it was reported that a full filing will be made shortly covering 125,000 common. **Business**—Manufacture and national sale of cosmetic and toiletry preparations, particularly in the hair care field. **Proceeds**—For the selling stockholders. **Office**—Melrose Park, Ill. **Underwriter**—Shields & Co., N. Y.

American Telephone & Telegraph Co. (2/14)
Dec. 20, 1961 it was reported that the company plans to sell $300,000,000 of debenture bonds due Feb. 1, 1994. **Proceeds**—For expansion. **Office**—195 Broadway, N. Y. **Underwriters**—(Competitive). Probable bidders: Morgan Stanley & Co.; First Boston Corp., and Halsey, Stuart & Co. Inc. (jointly). **Bids**—Expected Feb. 14.

Baltimore Gas & Electric Co.
Aug. 30, 1961 it was reported that this company plans to issue about $25,000,000 of first mortgage bonds in the first half of 1962. **Office** — Lexington and Liberty Streets, Baltimore 3, Md. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co., and First Boston Corp. (jointly); Harriman Ripley & Co., Inc., and Alex. Brown & Sons (jointly).

Bebell & Bebell Color Laboratories, Inc.
Nov. 6, 1961 it was reported that a "Reg. A" will be filed shortly covering 75,000 common. **Price**—$4. **Business**—Operates a color photo processing laboratory. **Proceeds**—For expansion, equipment and other corporate purposes. **Office**—108 W. 24th St., N. Y. **Underwriter**—Stevens, Hickey & Co., N. Y.

Cincinnati Gas & Electric Co.
Feb. 16, 1961 it was stated in the company's 1960 annual report that this utility plans to sell both first mortgage bonds and common stock in 1962 to finance its $45,000,000 construction program. **Office**—Fourtin & Main Sts., Cincinnati, O. **Underwriter**—(Bonds) To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc. and Lehman Brothers (jointly); Morgan Stanley & Co. and W. E. Hutton & Co. (jointly); Blyth & Co., Inc., and First Boston Corp. (jointly); Eastman Dillon, Union Securities & Co., and White, Weld & Co. (jointly). The last issue of common stock (81,510 shares) was sold privately to employees in August, 1960.

Columbus Capital Corp.
Dec. 11, 1961 it was reported that this newly formed Small Business Investment Co., plans to sell $10 to $20 million of common stock in the late spring. **Office**—297 South High St., Columbus, O. **Underwriter**—To be named.

Commonwealth Edison Co.
Nov. 17, 1961 it was reported that this company plans to sell $30,000,000 of first mortgage bonds early in 1962; $20,000,000 of additional debt securities in 1963 and $25,000,000 in both 1964 and 1965. No new common or preferred stock financing is contemplated in the four year period. **Proceeds**—For construction. **Office**—72 West Adams St., Chicago. **Underwriters**—Competitive. Probable bidders: First Boston Corp.; Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.

Corporate Funding Corp.
Dec. 12, 1961 it was reported that this company plans to file a "Reg. A" covering 75,000 class A common shares. **Price**—$2. **Business**—A financial investment and holding company. **Proceeds**—For general corporate purposes. **Office**—39 Broadway, N. Y. **Underwriter**—R. F. Dowd & Co. Inc., N. Y.

Delaware Power & Light Co.
Feb. 7, 1961 it was reported that the company has postponed until early 1962 its plan to issue additional common stock. The offering would be made to common stockholders first on the basis of one share for each 10 shares held. Based on the number of shares outstanding on Sept. 30, 1960, the sale would involve about 418,536 shares valued at about $14,600,000. **Proceeds**—For construction. **Office**—600 Market St., Wilmington, Del. **Underwriter**—(Competitive) Probable bidders: Carl M. Loeb, Rhoades & Co., N. Y.; W. C. Langley & Co., and Union Securities Co. (jointly); Lehman Brothers; First Boston Corp.; White, Weld & Co., and Shields & Co. (jointly); Kidder, Peabody & Co., and Merrill Lynch, Pierce, Fenner & Smith Inc. (jointly).

Diversified Vending, Inc.
Sept. 13, 1961 it was reported that a registration statement will be filed shortly covering 100,000 common. **Price**—$4. **Business**—The servicing of vending machines and coin operated kiddy-rides. **Proceeds**—For equipment, inventory and general corporate purposes. **Office**—Philadelphia, Pa. **Underwriter**—T. Michael McDarby & Co., Inc., Washington, D. C.

Duke Power Co. (2/20/62)
Dec. 6, 1961 it was reported that this company plans to sell $50,000,000 of 30-year first mortgage bonds in February. **Offices**—422 So. Church St., Charlotte, N. C., and 30 Rockefeller Plaza, N. Y. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.; Stone & Webster Securities Corp.; Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. **Bids**—Expected Feb. 20, 1962 at 11 a.m. (EST).

El Paso Electric Co. (2/7/62)
Nov. 22, 1961 it was reported that this company plans to sell $10,500,000 of first mortgage bonds in February. **Proceeds**—For construction and possible refunding of $3,500,000 outstanding amount of 5⅛% bonds due 1989. **Office**—215 North Stanton St., El Paso, Texas. **Underwriters**—(Competitive). Probable bidders: Stone & Webster Securities Corp.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. Inc.-White, Weld & Co.-Shields & Co. (jointly); Equitable Securities Corp.-R. W. Pressprich & Co. (jointly). **Bids**—Expected Feb. 7, 1962.

Electro Spectrum Corp.
Sept. 14, 1961 it was reported that this company plans to file a "Reg. A" covering 100,000 common. **Price**—$3. **Business**—Research, development, manufacture and marketing in the fields of optics, electronics, chemistry and photography. **Proceeds** — For organizational expenses, building lease, machinery, inventory and working capital. **Office**—300 Gramatan Ave., Mt. Vernon, N. Y. **Underwriter**—Harry Rovno (same address).

Florida Power & Light Co.
Sept. 18, 1961, it was reported that the company may issue $25,000,000 of bonds in the second half of 1962. **Office**—25 S. E. 2nd Ave., Miami, Fla. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc. and Kidder, Peabody & Co. (jointly); Halsey, Stuart & Co., Inc.; White, Weld & Co.; First Boston Corp.; Blyth & Co., Inc.

Gateway Transportation Co., Inc.
Dec. 13, 1961 it was reported that this company plans to file a registration statement covering 200,000 common, of which 50,000 shares will be sold by the company and 150,000 by stockholders. **Business**—A truck transportation company. **Proceeds** — To purchase terminal facilities. **Office**—La Crosse, Wis. **Underwriter**—Blyth & Co., Inc., N. Y.

General Public Utilities Corp.
March 14, 1961 it was stated in the company's 1960 annual report that the utility expects to sell additional common stock to stockholders in 1962 through subscription rights on the basis of one share for each 20 shares held. Based on the 22,838,454 common shares outstanding on Dec. 31, 1960, the offering will involve a minimum of 1,141,922 additional shares. **Office**—67 Broad St., New York 4, N. Y. **Underwriter**—None.

Georgia Bonded Fibers, Inc.
Sept. 14, 1960 it was reported that registration of 150,000 shares of common stock is expected. **Offices**—Newark, N. J., and Buena Vista, Va. **Underwriter**—Sandkuhl and Company, Newark, N. J., and N. Y. C.

Government Employees Corp.
Nov. 29, 1961 it was reported that the company plans to offer stockholders the right to subscribe for $2,675,000 of 4½% convertible capital debentures on the basis of $100 of debentures for each seven common shares held of record April 6, 1962 with rights to expire April 30. **Business**—The company and its subsidiary provide automobile and mobile home financing service on a nationwide basis to government employees and officers of the military. **Office** — Govt. Employees Insurance Bldg., Washington, D. C. **Underwriters**—Johnston, Lemon & Co., Washington, D. C., and Eastman, Dillon, Union Securities & Co., N. Y.

House of Koshu, Inc.
Nov. 13, 1961 it was reported that this company plans to file a registration covering 65,000 common. **Price**—$5. **Business**—Importers of Japanese liquors and liqueurs. **Proceeds**—For expansion. **Office**—Beverly Hills, Calif. **Underwriter**—P. J. Gruber & Co., Inc., N. Y.

Houston Lighting & Power Co.
Oct. 17, 1960 Mr. T. H. Wharton, President, **stated that between $25-$35 million dollars is expected to be raised** publicly sometime in 1962, probably in the form of preferred and debt securities, with the precise timing depending on market conditions. **Office**—Electric Building, Houston, Texas. **Underwriter**—Previous financing was handled by Lehman Brothers, Eastman Dillon, Union Securities & Co. and Salomon Brothers & Hutzler.

Illinois Terminal RR.
Jan. 16, 1961 it was reported that this company plans the sale later this year of about $8,500,000 of first mortgage bonds. Office—710 North Twelfth Blvd., St. Louis, Mo. **Underwriter—Halsey, Stuart & Co. Inc., Chicago.**

Jaap Penraat Associates, Inc.
(and Visual Education, Inc.)
Dec. 12, 1961 it was reported that a full registration will be filed shortly covering 100,000 common. **Price**—$3. **Business**—Industrial designing and the production of teaching machines. **Proceeds**—To expand teaching machine subsidiary, and for other corporate purposes. **Office**—315 Central Park West, N. Y. **Underwriter**—R. F. Dowd & Co. Inc., N. Y.

John's Bargain Stores Corp.
July 27, 1961 it was reported that this company plans to file a registration statement covering an undisclosed number of common shares. **Business**—The operation of a chain of discount stores selling household goods. **Office**—1200 Zerega Ave., Bronx, N. Y. **Underwriter**—Hayden, Stone & Co., N. Y. **Offering**—Expected in early 1962.

Laclede Gas Co.
Nov. 15, 1960 Mr. L. A. Horton, Treasurer, reported that the utility will need to raise $33,000,000 externally for its 1961-65 construction program, but the current feeling is that it will not be necessary to turn to long-term securities until May 1962. Office — 1017 Olive St., St Louis, Mo.

★ Litton Industries, Inc.
Dec. 26, 1961 it was reported that this company plans to file a registration shortly covering about $50,000,000 of convertible subordinated debentures to be offered for subscription by common stockholders. **Business**—Company is engaged in advanced research and development in electronic field and manufactures diverse electronic and electro-mechanical products. **Office** — 336 North Foothill Rd., Beverly Hills, Calif. **Underwriters**—Lehman Brothers and Clark, Dodge & Co., N. Y.

Masters Inc.
Jan. 6, 1961 it was reported that this corporation **is** contemplating its first public financing. **Business**—The operation of a chain of discount houses. **Office**—135-21 38th Avenue, Flushing 54, L. I., N. Y.

McDaniel Equipment, Inc.
Dec. 20, 1961 it was reported that this company plans to file shortly on 100,000 common shares. **Price**—$3. **Business**—The sale, servicing and installation of laundry and dry cleaning equipment and the operation of such centers at military bases, trailer parks and apartment houses. **Proceeds**—For debt repayment and other corporate purposes. **Office**—San Diego, Calif. **Underwriter**—California Investors, Los Angeles.

Mercantile National Bank at Dallas (Tex.)
Nov. 15, 1961 it was reported that stockholders are to vote Jan. 16, 1962 on increasing authorized stock to provide for a 10% stock dividend sale of 100,000 additional shares to stockholders on the basis of one new share for each 15 shares held of record Jan. 16. **Price**—$36. **Proceeds**—To increase capital funds. **Underwriters**—Rauscher, Pierce & Co., and First Southwest Co., Dallas.

Monterey Gas Transmission Co.
April 24, 1961 it was reported that Humble Oil & Refining Co., a subsidiary of Standard Oil Co. of New Jersey, and Lehman Brothers, had formed this new company to transport natural gas from southwest Texas to Alexandria, La., for sale to United Fuel Gas Co., principal supplier to other Columbia Gas System companies. It is expected that the pipeline will be financed in part by public sale of bonds. **Underwriter** — Lehman Brothers, New York City (managing).

National Airlines, Inc.
May 8, 1961, it was reported that the CAB had approved the company's plan to sell publicly 400,000 shares of Pan American World Airway's Inc., subject to final approval of the Board and the SEC. The stock was originally obtained under a Sept. 9, 1958 agreement under which the two carriers agreed to a share-for-share exchange of 400,000 shares and the lease of each others jet planes during their respective busiest seasons. The CAB later disapproved this plan and ordered the airlines to divest themselves of the stock. **Price** — About $20 per share. **Proceeds**—To repay a $4,500,000 demand loan, and other corporate purposes. **Office**—Miami International Airport, Miami 59, Fla. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc., N. Y.

★ National Steel Corp.
Dec. 27, 1961 it was reported that stockholders are to vote Jan. 25 on a proposed 2-for-1 split of the common. If approved, directors will consider offering 1,500,000 of the new shares to stockholders through subscription rights on a 1-for-10 basis. **Business**—Company is one of the major U. S. steel producers. **Proceeds**—For expansion. **Office**—Grant Bldg., Pittsburgh, Pa. **Underwriters**—To be named. The last financing for the company was handled by Kuhn, Loeb & Co., Harriman, Ripley & Co., Inc., and First Boston Corp., N. Y.

Nautec Corp.
Nov. 6, 1961 it was reported that the company plans to sell $3,000,000 of convertible debentures to be offered on a pro rata basis to common stockholders. **Business**—Manufactures parking meters, truck winches, fiberglass boats, steel towers, etc. **Proceeds**—For debt repayment and working capital. **Office**—350 5th Ave., N. Y. **Underwriter**—Bear, Stearns & Co.. N. Y.

New England Electric System
Oct. 2, 1961 it was reported that this company plans to sell additional common stock to stockholders through subscription rights, early in 1962. **Office**—441 Stuart St., Boston, Mass. **Underwriters**—To be named. The last rights offering in April 1958 was underwritten by Carl M. Loeb, Rhoades & Co., Ladenburg, Thalmann & Co., and Wertheim & Co., N. Y.

★ Oceania International, Inc.
Dec. 27, 1961 it was reported that this company plans to file a registration covering about 150,000 common shares. **Price**—$5.50. **Business**—Manufacture of simulated pearl buttons. **Proceeds**—For a new plant. **Office**—Brooklyn, N. Y. **Underwriter**—Baruch Brothers & Co., Inc., N. Y.

Oklahoma Gas & Electric Co. (3/1)
Dec. 13, 1961 it was reported that the company plans to offer stockholders the right to subscribe for 328,912 additional common shares on the basis of one new share for each 20 held of record about March 1. **Proceeds**—For construction. **Office**—321 North Harvey St., Okla. City. **Underwriter**—The last rights offering in March, 1956 was underwritten by Merrill Lynch, Pierce, Fenner & Smith Inc., N. Y.

Pacific Gas & Electric Co.
Nov. 10, 1961 it was reported that the company plans to sell some $98,000,000 of securities, probably bonds, in 1962 to help finance its proposed $208,000,000 construction program. **Office**—245 Market St., San Francisco. **Underwriters**—(Competitive). Probable bidders: First Boston Corp.-Halsey, Stuart & Co. Inc. (jointly); Blyth & Co., Inc.

Pacific National Bank of San Francisco
Dec. 20, 1961 it was reported that the bank plans to offer stockholders the right to subscribe to 119,220 additional shares on a 1-for-5 basis to raise about $6,000,000. Action is subject to approval of stockholders on Jan. 9 and the Comptroller of the Currency. **Proceeds**—To increase capital and surplus. **Office**—333 Montgomery St., San Francisco. **Underwriters**—Blyth & Co., N. Y., and Elworthy & Co., San Francisco.

Pan American Beryllium Corp.
Dec. 12, 1961 it was reported that a full filing will be made covering 100,000 common. **Price**—$3. **Business**—Operation of beryllium mines in Argentina. **Proceeds**—For mining expenses. **Offices**—39 Broadway, N. Y. **Underwriter**—R. F. Dowd & Co. Inc., N. Y.

Pan American World Airways, Inc.
Oct. 30, 1961 it was reported that the CAB had approved the company's plan to sell its 400,000 share holdings of National Airlines, Inc. However, it said Pan Am must start selling the stock within one year and complete the sale by July 15, 1964. The stock was originally obtained under a Sept. 9, 1958 agreement under which the two carriers agreed to a share-for-share exchange of 400,000 shares and lease of each other's jet planes during their respective busiest seasons. The CAB later disapproved this plan and ordered the airlines to divest themselves of the stock. **Office**—135 East 42nd St., N. Y. **Underwriter**—Merrill Lynch, Pierce, Fenner & Smith Inc.

Panhandle Eastern Pipe Line Co.
March 8, 1961 it was reported that **this** company expects to sell about $72,000,000 of debentures sometime in 1962, subject to FPC approval of its construction program. **Office**—120 Broadway, New York City. **Underwriters**—Merrill Lynch, Pierce, Fenner & Smith Inc., and Kidder Peabody & Co., both of New York City (managing).

Penthouse Club, Inc.
June 1, 1961 it was reported that this company plans to issue 60,000 common shares. **Price**—$5. **Business**—The operation of dining clubs. **Proceeds**—For expansion and working capital. **Office**—15th and Locust St., Philadelphia. **Underwriter**—To be named.

Public Service Co. of Colorado
Aug. 22, 1961 it was reported that the previously announced plan to sell about $20,000,000 of common stock to stockholders through subscription rights had been postponed until about June 1962. **Office**—900 15th St., Denver, Colo. **Underwriter** — To be named. The last equity financing was handled on a negotiated basis by First Boston Corp.

Resin Research Laboratories, Inc.
Dec. 20, 1961 it was reported that a full filing will be made covering 105,000 common. **Price**—$3.50. **Business**—Company is engaged in applied research and development in field of resin's polymer chemistry and plastics technology. **Proceeds** — For expansion, diversification and working capital. **Office**—400-06 Adams St., Newark, N. J. **Underwriter**—Keene & Co., Inc., N. Y.

Dividend Advertising Notices Appear on Page 16.

Rooke Engineering Corp.
Dec. 20, 1961 it was reported that a "Reg. A" will be filed covering 120,000 common. **Price**—$2.50. **Business**—The fabrication of exotic metals. **Proceeds**—For expansion. **Office**—Los Angeles, Calif. **Underwriter**—Adams & Co., Los Angeles.

Roth Greeting Cards Co.
Oct. 18, 1961 it was reported that this company is planning its first public sale of common stock. **Office**—Glendale, Calif. **Underwriter**—R. E. Bernhard & Co., Beverly Hills, Calif.

San Diego Gas & Electric Co.
Sept. 12, 1961 it was reported that this company plans to sell about **500,000** common to stockholders in mid-1962 to raise some **$17,500,000. Office**—861 Sixth Ave., San Diego, Calif. **Underwriter**—Blyth & Co., Inc., N. Y.

(Jos.) Schlitz Brewing Co.
Dec. 20, 1961 **it was reported** that a full filing will be made covering about **692,000 outstanding** common shares. **Price**—About $31.75. **Business**—Production and distribution of beer. **Proceeds** — For the selling stockholders. **Office**—Milwaukee, Wis. **Underwriter**—Glore, Forgan & Co., Chicago. **Registration**—Expected in January.

Southern Natural Gas Co.
Oct. 17, 1961 **it was reported that** the utility is contemplating the sale of $35,000,000 of 20-year first mortgage bonds early in **1962. Proceeds** — To retire bank loans. **Office**—Watts Bldg., Birmingham, Ala. **Underwriter**—(Competitive). Probable bidders: Halsey, Stuart & Co. Inc.; **First Boston Corp.; Blyth & Co.** and Kidder, Peabody & Co. **(jointly).**

Southwestern Public Service Co.
July 19, 1961, Herbert L. Nichols, Chairman, stated that the company plans to issue about $13,000,000 of common stock in March 1962. The shares will be offered for subscription by common stockholders on the basis of one new share for each 20 shares held. Proceeds—For construction. **Office**—720 Mercantile Dallas Bldg., Dallas 1, Texas. **Underwriter—To be named. The last rights offering to stockholders in January 1957 was underwritten by Dillon, Read & Co., New York City.**

Subway Bowling & Recreation Enterprises, Inc.
Aug. 22, 1961 it was reported that this company plans to sell about $1,200,000 of common stock. Business—The company has an exclusive franchise from the City of New York to build bowling and recreation centers in the subways. Proceeds—To build the first three centers. Office—New York City. **Underwriter**—Rodetsky, Walker & Co., Inc., **Jersey City.**

★ Varigraphics, Inc.
Dec. 20, 1961 it was reported that a "Reg. A" will be filed covering 50,000 common. Price—$4. Business—Publication of technical manuals. **Proceeds**—For expansion. **Office**—Los Angeles, Calif. **Underwriter**—Adams & Co., Los Angeles.

Virginia Electric & Power Co.
Oct. 2, 1961 it was reported that this company plans to sell $30,000,000 to $40,000,000 of securities in mid-1962 but no decision has been made yet as to type. Office—Richmond 9, Va. **Underwriters—To be named. The last sale of bonds in June 1961 was handled by Halsey, Stuart & Co., Inc. and associates.**

• West Penn Power Co. (3/5)
Feb. 10, 1961, J. Lee Rice, Jr., President of Allegheny Power System, Inc., parent company, stated that West Penn expects to sell about $25,000,000 of bonds in 1962. Office — 800 Cabin Hill Drive, Hempfield Township, Westmoreland County, Pa. Underwriters—To be determined by **competitive bidding. Probable** bidders: Halsey, Stuart & Co. Inc.; **W. C. Langley & Co.;** Lehman Brothers; **Eastman Dillon, Union Securities & Co.,** and First Boston Corp. **(jointly); Harriman Ripley & Co.;** Kidder, Peabody & Co. **and White, Weld & Co. (jointly). Bids**—Expected March 5. **Information Meeting**—March 2, at 10:30 a.m. (EST) at 55 Wall St., 5th Floor, N. Y.

Western Union Telegraph Co.
Nov. 15, 1961 it was reported that this company plans to sell $50,000,000 of debentures early in 1962. Proceeds—To repay short-term loans. **Office**—60 Hudson St., N. Y. **Underwriters**—Kuhn, Loeb & Co., and Lehman Brothers, N. Y.

Wisconsin Southern Gas Co.
Dec. 12, 1960 it was reported in a company prospectus that an undetermined amount of capital stock or bonds will be sold in 1961-1962. Proceeds—For the repayment of short-term bank loans incurred for property additions. Office — Sheridan Springs Road, Lake Geneva, Wis. Underwriter—The Milwaukee Co., Milwaukee, Wis.

WASHINGTON AND YOU

BEHIND-THE-SCENES INTERPRETATIONS FROM THE NATION'S CAPITAL

WASHINGTON, D. C.—A record total dollar volume of construction—new, maintenance and repair—apparently lies ahead of 1962. For the first time in history the volume is expected to go above the $80 billion mark.

This means that the building trades industries generally should have a favorable year. The Associated General Contractors of America, a trade association based in Washington, after a nationwide survey, is convinced that the construction outlook for the New Year is in keeping with the general expectation that 1962 will be a very good year for business in general.

Of course there must always be a qualification, such as a disruptive international crisis or a serious inflationary situation.

The Associated General Contractors' estimate for 1962 is a total of $80.9 billion, including $59.9 billion in new construction put in place, and $21 billion in maintenance and repair work.

The tremendous highway construction program — the primary, secondary and interstate highways —will represent a substantial part of the new construction, maintenance and repair.

Both Government and private economists in Washington are predicting with very few "ifs" that the coming year will be a march of progress year. Secretary of Commerce Luther H. Hodges is optimistic generally.

The grand total dollar construction volume in 1961 is estimated at about $77.8 billion. However, if the 1962 expectations are reached, it would mean an increase of 4½% over the record-breaking dollar volume of 1961.

One Dark Spot

There is one obstacle looming on the economic front, which may not amount to any serious setback. There is a possibility there will be a big hassle in the steel-labor situation. The Federal Government reportedly may step in if the situation becomes critical.

In 1956 when there was a forced settlement after a long scrap between the unions and the steel industry, the steel makers were able to continue their fair share of profits by raising prices. In 1960 there was no price increase after another scrap. The unions are now insisting that the steel companies do not need to raise their prices to meet an increased wage cost.

However, qualified sources declare that, judging by earnings picture, the industry will have to raise prices again in order to make a fair return to stockholders if labor wages go up again this year.

Government Should Not Intervene

Editor-in-Chief Tom Campbell of the authoritative *Iron Age*, demanding that the Federal Government stay out of the picture and let there be absolutely free bargaining between the unions and the steel industry, said recently:

"Why should the rumor — or fact—that Mr. Kennedy will step in to prevent a long steel strike be going around now? As long as the union thinks he will step in, no real effort will be made to reach a reasonable agreement. As long as steel companies feel that they will get it in the neck again, how can they expect real collective bargaining?

"The Government should stay out of the picture and let the two giants swing, negotiate and test each other, always hoping of course, that the union will know a new day has come in which continual increases in wage costs can't help but injure the industry and itself."

Meanwhile, the fallout shelter program, which has run into some controversial battles, will figure in the overall construction total the coming year. The Kennedy Administration has under consideration a $700,000,000 appropriation recommendation to Congress. The Federal funds would be used as matching local and state funds for community shelters, primarily at schools and hospitals.

If such a program gets under way, it could add several hundred million dollars to the construction volume. However, there is considerable doubt about the program at this time.

Help From Housing?

The liberalized housing legislation passed by Congress in 1961 did not have much effect on the overall housing program during the year, but it is expected to be a marked stimulant in 1962.

At the same time it must be borne in mind that the housing shortage which prevailed for a time is no longer in existence. There are isolated exceptions of course. This fact may have a restraining factor on private housing.

Practically all categories of public construction are expected to show increases, but none is likely to be spectacular, according to the SGC survey. Highway construction is the big item.

At the start of the next fiscal year, highway authorizations of funds will increase yearly for several years.

The peak of authorizations under the legislation will be reached at $3 billion of federal funds annually in 1968-70. Increases will range from $400,000,000 in 1964 to $1.5 billion in 1968.

When these Federal funds are matched by state funds, it is obvious the highway construction program alone is a giant and will continue to be. Highway construction totaling federal, state and local funds is expected to involve around $6.1 billion in 1962 as compared with $5.7 billion this year.

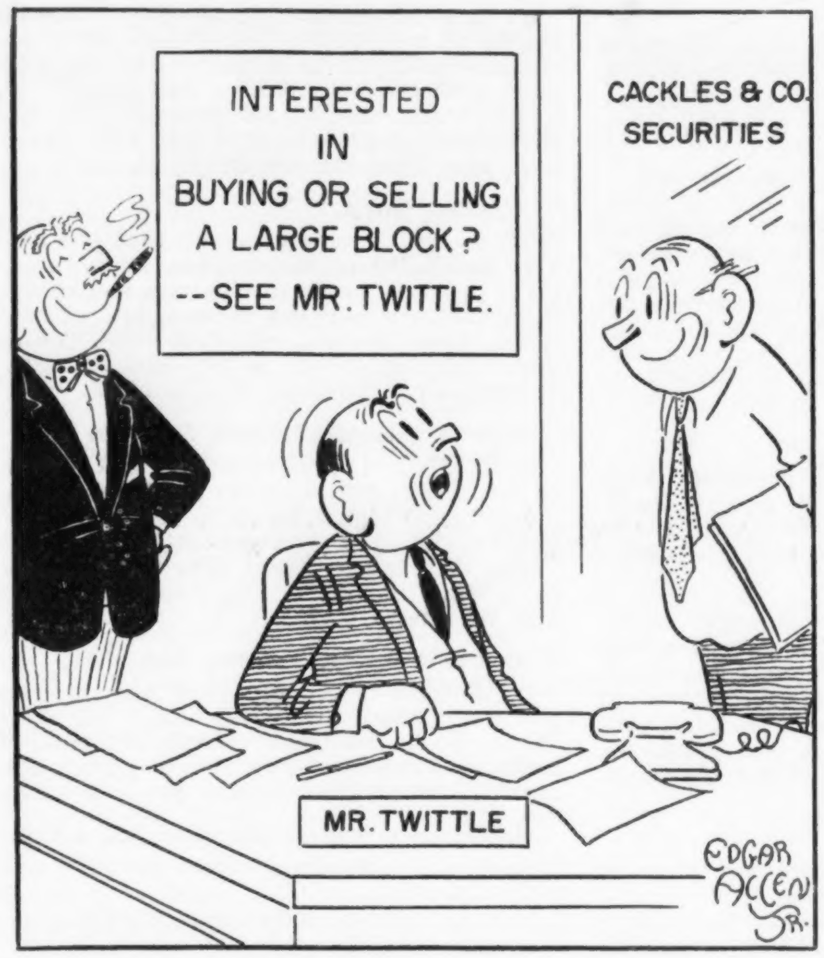
Increased Competition in Construction Industry

Although the construction business is booming along in dollar volume, there is another side of the construction coin, said M. Clare Miller of McPherson, Kan., president of the AGC. Said he:

"The growing volume of construction has attracted more new contracting firms into the industry than the work warrants. Too many of the newer contracting firms are lacking in experience and resources, and reckless and ruinous bidding increases. Consequently, many firms fail and, some others, including long-established contractors of recognized skill and ability, reach the conclusion that the game is no longer worth the candle and voluntarily retire from business."

Of course the contracting business is like nearly everything else — there are successes and failures. Most of them and the building materials industries should have a good year in 1962, baring unforseen developments.

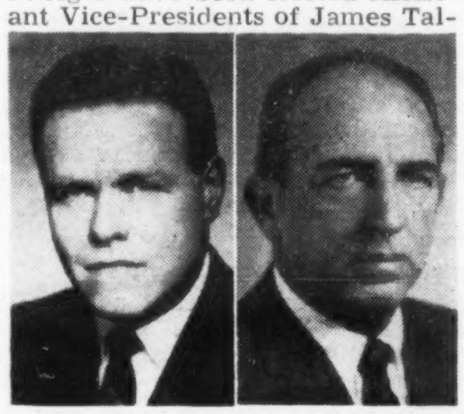
[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]



"I wish Mr. Cackles would stop referring to me as 'our block head'!"

James Talcott Elects Asst. V.-Ps.

George H. Fairberg and Richard F. Agor have been elected Assistant Vice-Presidents of James Talcott, Inc., the industrial finance company has announced.



Richard Agor George H. Fairberg

Mr. Fairberg, manager of the Industrial Time Sales Division's New York operations, was counsel for the Credit America Corporation from 1953 to 1958, when the firm was acquired by Talcott.

Mr. Agor, senior credit executive for the Rediscount Division, joined Talcott in 1949 after 10 years with the American Business Credit Corporation, New York.

Office in Great Neck

GREAT NECK, N. Y. — Capital Syndication Corporation has opened an office at 260 Northern Boulevard.

Opens N. Y. C. Office

Equity Securities Corporation has opened an office at 37 Wall Street, New York City.

Now Johnson Inv. Co.

ARVADA, Colo.—H. E. Johnson, Jr. is now conducting his investment business under the firm name of Johnson Investment Co., from offices at 5622 Yukon.

Form Derman, Wolfson

Derman, Wolfson & Co., Inc. has been formed with offices at 15 East 40th Street, New York City, to engage in a securities business.

Baron, Black Branch

INGLEWOOD, Calif. — Baron, Black, Kolb & Lawrence, Inc., has opened a branch office at 718 East Manchester under the management of J. Philip Bambara.

With Bingham, Walter

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Carlton R. Bingham is now with Bingham, Walter & Hurry, Inc., 629 South Spring Street. He was formerly with Sellgren, Miller & Co., Inc.

Opens Securities Office

P. P. Inc. is engaging in a securities business from offices at 27 Wall Street, New York City.

J. D. Warren Co. Formed

SAUSALITO, Calif. — James D. Warren & Co. has been formed with offices at 127 Prospect to engage in a securities business. Officers are James D. Warren, President; J. C. Warren, Vice-President, Assistant Secretary and Treasurer; and Jack J. Miller, Secretary. Mr. Warren was formerly with Mitchum, Jones & Templeton and Glore, Forgan & Co.

COMING EVENTS

IN INVESTMENT FIELD

Jan. 17, 1962 (Philadelphia, Pa.) Philadelphia Securities Association Annual Meeting and Dinner at the Barclay Hotel.

Jan. 22-23, 1962 (Washington, D.C.) Association of Stock Exchange Firms Board of Governors meeting at the Statler Hilton Hotel.

Jan. 29, 1962 (Chicago, Ill.) Investment Traders Association of Chicago annual midwinter dinner at the Ambassador West.

Feb. 9, 1962 (Boston, Mass.) Boston Securities Traders Association Annual Winter Dinner at the Statler Hilton Hotel.

March 30, 1962 (New York City) New York Security Dealers Association 36th Annual Dinner at the Waldorf Astoria Hotel.

April 8-10, 1962 (San Antonio, Tex.) Texas Group of Investment Bankers Association of America, annual meeting at the St. Anthony Hotel.

May 6-9, 1962 (Seattle, Wash.) National Association of Mutual Savings Banks 42nd annual conference at the Olympic Hotel.

May 9-12, 1962 (White Sulphur Springs) Investment Bankers Association meeting of Board of Governors.

May 14-15, 1962 (Detroit, Mich.) Association of Stock Exchange Firms Board of Governors spring meeting at the Dearborn Inn.

Sept. 19-21, 1961 (Santa Barbara, Calif.) Investment Bankers Association Board of Governors Meeting.

Sept. 23-26, 1962 (Atlantic City, N. J.) American Bankers Association annual convention.

Oct. 8-9, 1962 (San Francisco) Association of Stock Exchange Firms Fall Meeting at the Mark Hopkins Hotel.

Oct. 11-12, 1962 (Los Angeles) Association of Stock Exchange Firms Board of Governors meeting at the Ambassador Hotel.

Nov. 4, 1962 (Boca Raton, Fla.) National Security Traders Association Convention.

The COMMERCIAL and FINANCIAL CHRONICLE

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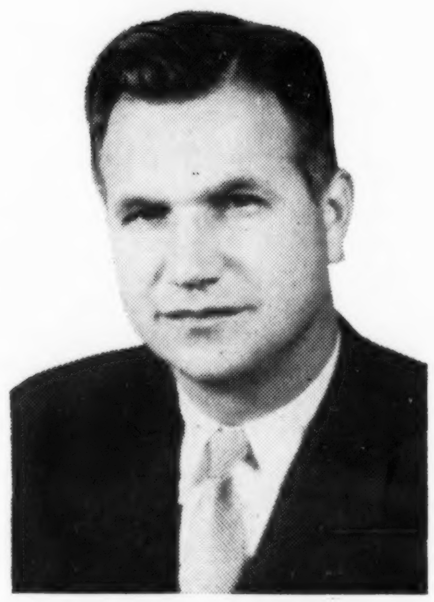
The Investment Bankers Association held their Golden Anniversary Convention at the Hollywood Beach Hotel, Hollywood, Florida.

I·B·A CONVENTION GOLDEN ANNIVERSARY: HOLLYWOOD, FLA. NOV. 26 - DEC. 1, '61

THE INVESTMENT BANKERS ASSOCIATION OF AMERICA

Officers 1961-1962

President
CURTIS H. BINGHAM
Bingham, Walter & Hurry, Inc.,
Los Angeles



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* * * *

TEXTS OF THE ADDRESSES MADE DURING THE CONVENTION

* * * *

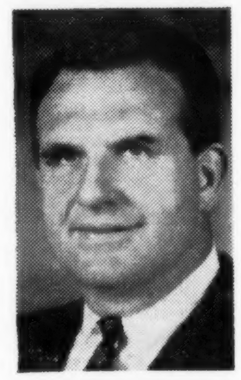
IBA COMMITTEE REPORTS

THE INVESTMENT BANKERS ASSOCIATION OF AMERICA

Governors 1961-1962


Howard H. Banker
C. J. Devine & Co.
Cincinnati, Ohio


Andrew S. Beaubien
L. G. Beaubien & Co.
Ltd., Montreal


William B. Boone
Dean Witter & Co.
Portland, Ore.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Carl M. Loeb,
Rhoades & Co.
New York City


William H. Claflin, III
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R. L. Day, Boston


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Jackson & Curtis
New York City


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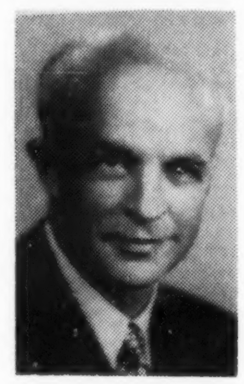
Charles W. Easter
Blyth & Co., Inc.
Seattle, Wash.


George W. Elkins
Elkins, Morris,
Stokes & Co.
Philadelphia


Milton S. Emrich
Julien Collins &
Company, Chicago


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White, Weld & Co.
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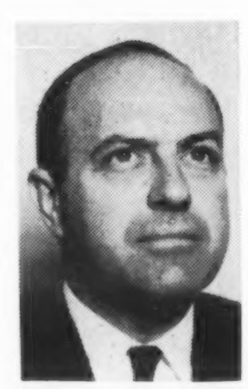
William L. Hurley
Baker, Simonds & Co.
Inc., Detroit

Governors 1961-1962

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Crocker-Anglo National Bank San Francisco

Roy W. Leriche
First of Iowa Corp. Des Moines

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Carr Payne
Cumberland Securities Corp. Nashville

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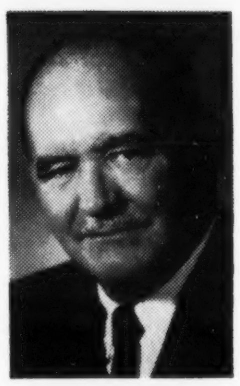

James M. Powell
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Harley L. Rankin
Goldman, Sachs & Co., Philadelphia

J. B. Sanford, Jr.
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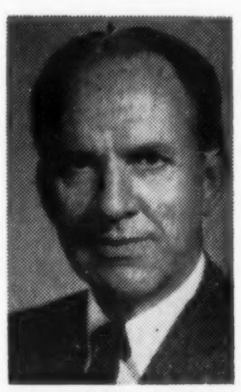

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Dempsey-Tegeler & Co., Inc., St. Louis

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The Robinson-Humphrey Co., Inc. Atlanta

Victor H. Zahner
Zahner and Company Kansas City, Mo.

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1961-1962

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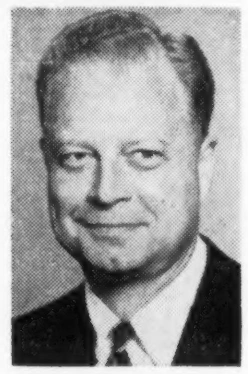
Bateman, Eichler & Co., Los Angeles

CANADIAN

Dudley Dawson
Greenshields Incorporated Montreal

CENTRAL STATES



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Russ & Co., Inc., San Antonio

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W. B. McConnel, Jr.
Singer, Deane & Scribner, Pittsburgh

The New President's Inaugural Address

By Curtis H. Bingham, President-Elect, Investment Bankers Association of America, and President of Bingham, Walter & Hurry, Inc., Los Angeles, Calif.*

Incoming IBA President's quick look at the ups and downs of the industry's history, approaching its 50th Anniversary in 1962, takes note of the little recognition accorded its contributions made to the economy. Looking to the future, Mr. Bingham sketches much that can be done in seizing opportunities now unfolding, in working with the SEC's broad study, and in helping the economy to overcome its problems. Particularly stresses what individual bankers themselves can do.

I am proud of the honor bestowed on me and fully aware of the responsibilities this high office entails. I am also cognizant that there were two principal considerations that resulted in my nomination: (1) Recognition of the growing importance of Southern California as a financial center; and (2) An expression of love and affection many of you hold for my wife, Mary.

Curtis H. Bingham

The coming year of 1962 marks the 50th Anniversary of the IBA. A lot has happened in the last 50 years and you can be sure a lot will happen in the next 50 years.

We are here today and each year to give our best efforts to improve our standards, solve our problems and plan for the future. And when we look at the vigorous condition of our economy, with the tremendously expanded acceptance by the public of the services we render, we can only hope that we will continue to work as effectively in the future.

I would like to read to you something I recently read. "I assume to say that the time is here when it is our duty to use every means at hand to improve our securities, to stand together as against an inviting field for the many houses daily springing up having little or no capital, likewise experience, and, what is more dangerous, little care for what they offer beyond their ability to market and their immediate profit."

Sound familiar? That, ladies and gentlemen, was spoken by George B. Caldwell at a meeting of the IBA on Aug. 10, 1912.

The IBA was formed to promote a high standard of ethics in the securities business, protection for the public, and to be more effective in providing capital in a growing economy.

We have had our ups and downs. During the first World War our industry not only helped finance our government through the sale of 25 billion bonds, but also in contrast to the panic of 1914 in European capitals, the American financial community fulfilled its role with composure and imagination. In the depression years of the thirties we were *"persona non grata"* as the diplomats say.

But here again the IBA took on a most active part in formulating new laws and regulations to restore investor confidence and encourage the flow of capital necessary for financing.

In the second World War our stock took another drop. The government listed all industries as to how essential they were to the war effort. Steel first, etc. Our industry ended up in 44th place just below the manufacture of artificial flowers. This despite the fact that our industry, and dedicated men in our industry, was largely responsible for selling the huge amounts of government bonds necessary to finance the war.

After the war our industry and the IBA really came into its own. The pent-up demand for capital had to be satisfied. Huge amounts of money were needed for municipalities, public utilities and industrial companies, large and small, to provide goods and services. We supplied it. It can justly be said our industry provides the money needed in war or peace.

Likewise, the IBA became much more active and effective in their programs. Real progress was made in many fields. Our education committees produced "Fundamentals of Investment Banking," started courses at universities, including the Wharton School Institute, provided courses in management.

The Municipal Committee work since the war has been outstanding. Likewise, our progress in the fields of State Legislation, Federal Securities, and Federal Taxation have been of great credit to IBA.

How about the future?

We can look ahead and see that the essential elements of population growth and a rising standard of living are not only with us but the entire world. The Investment Banker is faced with the opportunity and responsibility of meeting our traditional needs, the needs of a rapidly changing technology, creating new companies with new discoveries but also the demands of a broadening world economy. I am confident we will do our job well.

The coming year our industry will be the subject of a broad inquiry by the Securities and Exchange Commission. Almost 30 years ago new laws were passed regulating our business. For the most part these laws were constructive. We welcome a review of these laws and regulations in the interest of protection for the public. The Stock Exchanges, and the NASD have rules, regulations and codes of ethics and have made a great contribution. The great majority of our members are honest, sincere and ethical, but if our laws permit impropriety on the part of a few, they should be reviewed.

We as members of the IBA should continue our efforts of self-discipline. Each of us individually should continually reappraise our own firms to maintain our high standards.

I am confident the SEC investigation will be fair and impartial, with the full realization that our industry will continually be called on to provide huge amounts of money for a growing economy, and at the same time provide liquidity and ready markets for an expanding investor population.

In the next few years we can see a few clouds on the horizon. The stability of our dollar is threatened. We can see danger in the decline of our early national virtues, thrift, self reliance, responsibility and the spirit of risk taking for greater reward. We are witnessing Communism making strides. What are we doing about these things?

I believe that it is our personal and collective responsibility to widen the public knowledge of our free enterprise system. To educate them on how that system works, what it stands for and how it has produced the highest standard of living in history. Economic education is essential, yet neglected in our schools. Greater economic understanding is a safeguard against fiscal irresponsibility which destroys thrift and initiative.

You ask what can I do?

Well, all big accomplishments are the result of little jobs done by many people. Most of you are respected and influential members of your community. Work with your School Board to see that better economic education is provided. Discuss problems with your elected representatives. Your voice will be heard. Do your friends and acquaintances understand your work as they do the doctor's or the lawyer's?

Education is the most effective weapon against communistic propaganda and we as Investment Bankers should meet this responsibility for the preservation of our system and our country.

Be proud of your heritage, of your country, and of the profit system. They have brought to you all the benefits of a free society where you can live and work as you please, worship as you please, and do with as you please, and do with as you please the property you have accumulated. Where else could you be so blessed?

*President Bingham's remarks before the 50th Annual Convention of the Investment Bankers Association of America, Hollywood Beach, Fla., Nov. 30, 1961.

New Frontiersmen Imperil Our Freedom and Future

By George A. Newton, Retiring President of the Investment Bankers Association of America; and Managing Partner of G. H. Walker & Co., St. Louis, Mo.*

Vigorous, candid defense of the investment banking industry against "unjustified vilification" is made by Mr. Newton on the occasion of his retirement as head of the IBA. Decrying governmental encroachment upon the economy, Mr. Newton finds singularly shocking and unnecessary government financing competition from the Federal Community Facilities Loan Program, education and electric power proposals, and municipal industrial revenue bonds. The need to correct the twin plagues of the public's misconceptions and misunderstanding of the industry is recognized by Mr. Newton who hopes that investors will benefit from continuing efforts to educate them on investing and from maintenance of the industry's high standards. A big assist in this direction is expected from the IBA financed Wharton School study of the investment banking industry.

Welcome to the 50th Convention of the Investment Bankers Association of America. It concludes a year, during which a special effort has been made to emphasize the importance of free enterprise and private capital, for these are the answers to most of our problems, abroad as well as at home. This is a system powered by individual initiative and based on incentive to encourage maximum performance by labor, management and capital; where, in the long run, the greatest rewards go to those who produce results.

George A. Newton

The willingness of people to surrender their authority and control, in order to enjoy the opiate atmosphere of "letting someone else do it" leads only to more troublesome days ahead. The growing reliance on Washington is alarming, for concentration of too much power in the Federal Government constitutes the greatest threat to our freedom and the future.

Thus, I had thought originally, comments on these developments would be appropriate, for a grasping government worries me and I admit getting a little nervous, at times, depending on Frontiersmen who worry about whether there will be enough work to do, and if so, whether they should spend more than 35 hours a week doing it, those who penalize fellow associates for exceeding production quotas, or strike to continue work assignments now obsolete; Frontiersmen lethargy in leadership, reluctant to assume responsibility; Frontiersmen who want investment guaranteed against risk, criticize profits of others and advocate government finance. Somehow, I find it considerably more comforting to think of the old-fashioned type of Frontiersmen, who survive because they are industrious, courageous and self-reliant.

But others have been directing attention to all this of late and by coincidence, several weeks ago, there was occasion to attend a two-day meeting of various associations where one of the sessions was devoted to discussion of "ethics in our daily lives." As the list of horrible examples "droned" on, it occurred to me, that here was the investment banking industry, the greatest living example on the face of the earth of *good* ethics in our daily lives; yet an industry often maligned, monotonously made the scapegoat of others, and berated with fury, especially in election years. So popular is the sport, even Khrushchev employed the technique, when earlier this year, he is alleged to have said, "The American people want peace, but the capitalists of Wall Street push them on to war."

Why the Unjustified Vilification?

Why this unjustified vilification? Here is the industry that is the backbone of free enterprise, providing the thrifty with investment opportunity to share in the growth and wealth of their nation, channeling these funds to business and industry, so their needs may be financed with private capital, not government dole. Here are thousands of men and women of various ages and experience handling, daily, millions of other people's dollars without default. For instance, take a three million share day on the New York Stock Exchange and assume a price of $30 per share (I imagine it is more) you have $90 million involved. Most of the transactions have two brokers, so that makes $180 million being handled in one day, and this is the New York Stock Exchange alone. In addition, there are the other exchanges, and the over-the-counter market, including municipal bonds and governments. The magnitude is staggering.

Perhaps it may be said the industry still suffers from shadows of less noble days of years gone by, but it is the present that counts. Even the Church had its dark ages but reached the promised land by continuing to preach its Gospel. Is it not time we preach ours that each of us do something about it?

This time a year ago, it was noted that ours is an industry of integrity; that so seldom was she violated that when it did occur it was front-page news; that such publicity is long remembered and attributed to the entire industry; that, therefore, the conduct of each of us must be impeccable for to act otherwise compromises not only our associates and members of the industry, but the free enterprise system as well. Unfortunately, during the year we have been so exposed, and now we must endure crowded quarters and trying conditions as others move in and seek to apply their particular brand of fumigation to the entire household. However, a happier thought is that the Securities and Exchange Commission has been the official body designated to inquire into the Securities Markets and their operation. Although the Commission and the Industry have disagreed on frequent occasions, there has been every effort to reach a mutually satisfactory solution. Therefore, the opportunity is welcomed to see if between us there is anything that can be done to improve the operation of the Securities Markets and related practices and procedures in order for the Industry to better perform its functions. Our complete cooperation can be expected to achieve this goal.

Two Continual Plagues

Fortunately, misconduct is seldom with us. The industry's established code of business conduct goes far beyond requirements of the law. No industry polices itself so well. But unfortunately, there are, what I think of, as two girl friends of Misconduct, that plague us continually—Misunderstanding and Misconception. I have been told it's quite complicated to live with one unmarried woman, but to do so with three is impossible.

With respect to "misunderstanding," I recall that when I first went to St. Louis I was most impressed by our municipal man, who would pick up the telephone and say, "Yes, I'll take $250,000 of them. We will underwrite a half a million . . ." and then he would scribble a little something on a piece of paper. I was somewhat concerned, coming from a law office, where a flunky like myself would have worked a week on a $10,000 contract and if it had been $100,000 a partner of the firm would have been sitting beside me and for half a million the whole firm would have been in the act. So I went to our senior partner in St. Louis, who has been around the business for many years, and suggested that it might be a good idea to have a more detailed memorandum, or something more elaborate in the file to avoid "misunderstandings." He put his arm around me and said, "George, we just don't do business with people who have 'misunderstandings'."

With so strict a code within the industry, it must be that we fail "to get through" to the public—

fail to get our message across. So, emphasis on proper training of personnel and extreme care in communicating with customers, so they are sure to understand, needs the attention of top management. In most cases of "misunderstanding," it may be just "that" to us, but to the customer, it is generally, "I've been 'ad," and that's not what I.B.A. stands for.

Remedying the Public's Misconception

Misconception of the investment banking industry and its objectives is widespread. Few realize how essential the investment industry is to the economy, the functions it performs, or the significant part it plays in one's daily life. Too often, it is viewed akin to "legalized bookie shops" as people are tempted to act by rumor and tip, ignoring what the I.B.A. advocates—"Investigate before acting." Therefore, we must be more informative, better informed ourselves, and more articulate about this great industry and free enterprise.

As ground work, the most significant step taken by the association, was last year, in authorizing the grant of $150,000 to the Wharton School to undertake a study of the investment banking industry. This culminated three years of work, considering how best might be assembled basic information, facts and figures concerning the investment banking industry. The resulting manuscript should be of great value to the public and the Government. How effectively it may help the investment banking industry, will depend in large measure on what use each of us makes of the material in developing better understanding of the industry's functions and operations and in what respects, procedures and practices, possibly, can be improved by our respective firms, to better serve the customer.

Further reference, specifically to Association action in promoting the "General Welfare" is illustrated by the Association's position regarding industrial revenue bonds, with disfavor. Here is your Association at its best, facing up to a difficult question, considering the issue on fundamentals, and reaching its conclusions as conscience and good judgment of the majority dictates regardless of possible financial loss to members. It is recognized that a few have not followed the Association's policy and that increasing numbers may join their ranks; nevertheless, the Association has demonstrated the courage of its convictions and leaves to each member the choice of part it wants to play in this type of financing, with "time" and "self" the final critic.

IBA's Stand on Federal Aid to Education

Willingness of the Association to make its position known on national issues was evidenced by its vigorous stand opposing Federal aid to education. Although many members shared with a multitude of others the apprehension of Federal invasion of this field, the Association avoided the "issues of emotion" and based its case on "insufficient need," using as its example the proposed program of classroom construction for elementary and secondary schools. Government figures were reported as showing there was an immediate need for 66,000 new classrooms and that an additional 76,000 were required to replace ones now obsolete. I.B.A. figures, which remain unchallenged to date, point out that for the past four years, the number of elementary and secondary classrooms constructed by municipalities, averaged better than 69,000 per year and that in the month of January, 1961, municipalities voted more bond issue dollars for construction of elementary and secondary classrooms, than in any other month in history. Government figures supporting the balance of the program become suspect as well. Should not the entire question of "need" be reviewed?

Coincident with the merit of these domestic programs, is their impact on the Federal budget. Their insatiable appetite for dollars is vividly illustrated by the college housing program. Prior to 1950, this type of facility had not been financed by the Federal Government. In 1950, $300,000,000 was provided for a five-year period. In 1955 there was provided for the next five-year period, approximately $1,300,000,000; and, in 1960 there was provided approximately $1,300,000,000 more, but this for only a four-year period. Thus, even the imagination is strained to envision the gargantuan sum that would be consumed in the general field of education. Compared with the many other demands for Government funds, can this really be considered so great a need, especially when the performance of the municipalities and private institutions has been so outstanding?

Shocking Government Competition

Unnecessary government spending, at its "shocking worst" has been seen under the Federal Community Facilities Loan Program, as presently administered. Here our concern is not just with "government spending" but with "substitution" of government funds for private capital. The now publicized Charleston, W. Va. financing, where bids by private capital at an interest rate of 3.945% were rejected for Federal funds at interest rates less than the Federal Government itself could borrow, stands as a sickening reminder that the contest is not between alleged selfish interests of investment bankers and the public interest, but is a mortal conflict between private capital and government financing.

A struggle of similar nature and equally disturbing, is the direct competition of expanding government electricity, with that of privately-owned, taxpaying public utilities.

Thus, in opposing such proposed government programs, of which there are so many, the Investment Bankers Association, is not guilty of a negative approach to modern-day problems, but is vigorously advocating the principles of free enterprise and private capital as the proven weapons of strength which have made this nation great, and which can bring victory out of the current struggle, if not mishandled or abandoned for something else of passing fancy.

Regardless of talk about social and political ideologies, the struggle is fundamentally economic. It is said, "This is a struggle for men's minds." Perhaps, but first, it is more important to fill men's stomachs. This has been the sphere of free enterprise supremacy, if man will work intelligently, assume responsibility and have faith. Throughout history, wrong oft seems so strong. Yet, through faith, and a willingness to lead, right has turned to might!

Where is there displayed more faith in each other, than demonstrated daily by members of this industry, as commitments, large and small, are made and carried out by word of mouth, a scribbled note, or brief memo? To those who seek to discredit this industry by reference to isolated transactions, shame on their dirty minds! No industry handles so much, so well!

As a relative newcomer to the world of investment banking, I am grateful for the heritage and tradition you have shared with me, tarnished at times by a very few, but polished ever brighter by the multitude of individuals who never forget their responsibility to serve the public as best they can. The proudest moments of my life have been this year with you. As I said about half-way through, I may get into trouble, but it's sure going to be with classy people and in places of repute.

The greatest testimonial to the character of this industry, are the women to whom its men are married. With their inspiration and example, we will achieve greater success; and perhaps, with their proven ability, to get across their point, they will teach us an effective way to "get through" to others the story of the Investment Banking Industry, and that I.B.A. symbolizes "Integrity Before All."

*An address by Mr. Newton before the 50th Convention of the Investment Bankers Association of America, Hollywood Beach, Fla., Nov. 27, 1961.

Raising the Standards of The Securities Business

By William L. Cary,* *Chairman, Securities and Exchange Commission, Washington, D. C.*

Investment bankers' orientation on the SEC's relationship with, and expectation of, the industry sketches some of the areas to be probed by forthcoming full study of the securities industry. They include questions concerning: (1) professionalism and quality of broker-dealers and salesmen besides the use of part-time salesmen and branch office multiplication; (2) over-the-counter market trading and distribution encompassing extending listed disclosure requirements to counter issues, short-swing trading, underwriting practices, and "after-market" trading pattern of such things as determinants of substantial premium over offering price; (3) American Stock and other exchanges' operations and problems; and (4) certain patterns, policies and practices of investment companies. General theme of Mr. Cary's address dwells on ethics and professionalism, and the industry is asked to share fully with the SEC the responsibility for maintaining and raising the standards of conduct. Mr. Cary does not propose delaying the Commission's work during the investigation.

Ours is a newly constituted Commission. Four Commissioners have been appointed in 1961, and one in 1960. Under these circumstances, I am sure investment bankers might seek some notion of our point of view. I might say that our backgrounds are varied. One of us is a former United States Senator and Chairman of the Subcommittee of the Banking and Currency Committee which has jurisdiction over the SEC; two are outstanding past members of the Commission's staff; the fourth was a practicing lawyer with heavy experience in corporate finance. I am a former professor and part-time practitioner.

William L. Cary

In general, I venture that I speak for my colleagues; my views, though, are in no way binding upon them. We function as a true Commission, with five voters, always independent, occasionally differing from one another, but at the same time operating in a general atmosphere of harmony and respect.

SEC's Position

First of all, let me make it clear that our position is not anti-Wall Street or any other street. Such a point of view is doctrinaire, totally undiscriminating and irresponsible. The financial centers of this country, and indeed of the world, have within them all elements and are an integral segment of American life. Personally, having spent my life in the practice and teaching of corporate law, with an address at No. 1 Wall Street, I would find it hard suddenly to regard all my past associations with rancor.

Secondly, investment bankers are the responsible leaders in the industry who — happily — are evolving the standards of a true profession. We may have occasional differences in point of view. But in essence I firmly believe that we both are aiming for the same ends, and that cooperation can and should be anticipated.

Thirdly, we believe in strong enforcement of the securities laws as they stand. It is commonplace to note that this is an era of economic "good times." The *Wall Street Journal*, with which some may be remotely familiar, had a story about some Southern Pacific Railroad detectives following a wire out to a box car and finding there a hobo sleeping under an electric blanket. Times indeed have changed when even panhandlers are not totally impecunious.

The crescendo of registration statements with which the Commission is daily confronted is testimony to the lively state of the underwriting business. This output has been coupled with very active market conditions. These factors create a greater opportunity for the development of fraudulent and manipulative practices. Responsible members of the industry, I believe, recognize the potential problems now present in our securities markets and agree with me that the climate calls for vigorous enforcement. Over and over again in New York, before I came down to Washington, I had eminent leaders in the investment banking industry take me aside and tell me that certain corrections are needed. I emphasize that action, both legislative and enforcement, will be selective, and not a broadside.

Raising Ethical Standards

Fourth and finally, I believe that ethical standards must move upward. Today anyone would be shocked with a comment attributed to a 19th Centuary railroad buccaneer: "Why buy the shares, if we can buy the directors." Thanks in substantial part to the securities laws—accounting rules, disclosure standards, and principles of fair dealing have developed almost by a process of accretion. While in law school during the early 30's I remember the overwhelming fears expressed over the 1933, 1934 and the 1935 Acts. I wonder how many today are still opposed to the disclosure philosophy—which is now gaining ground on the Continent? How many accountants and analysts would like to return to the accounting rules of the 20's? And how many people in the utility industry—comparing the jigsaw of a utility empire then with their corporate structures today—would feel that their industry is worse off? Some would say in fact that the Holding Company Act may well have saved them from wider governmental ownership.

This does not mean, however, that everyone in the financial community is benevolent. Furthermore, should we adopt an attitude of satisfaction with the status quo? In the past 6 months I have had a chance to observe the resourcefulness of the securities industry in adopting new forms of financing. Why is there not room for growth and improvement in standards as well? Ethics too, can, and should be, dynamic. As a practical as well as a theoretical matter, the basic principle underlying securities regulation is that of fiduciary responsibility. Mr. Chief Justice Stone—himself a corporate lawyer—phrased this thought some 33 years ago:

"I venture to assert that when the history of the financial era which has just drawn to a close comes to be written, most of its mistakes and its major faults will be ascribed to the failure to observe the fiduciary principle, the precept as old as holy writ, that 'a man cannot serve two masters.' More than a century ago equity gave a hospitable reception to that principle and the common law was not slow to follow in giving its recognition. No thinking man can believe that an economy built upon a business foundation can permanently endure without some loyalty to that principle . . ."

Laws are often enacted to remedy the abuses of the fringe elements of society—in our case the ethically marginal securities operator. To avoid increasing regulation, investment bankers share with us the responsibility for maintaining and indeed for raising standards of conduct.

While we are enjoying this current prosperity, we must recognize, as the President has pointed out, that we are destined to live out most, if not all, of our lifetime in uncertainty, challenge and peril; that our very system with all its virtues of freedom is at stake. Interestingly enough, only a few days ago a Polish Marxist philosopher brought to the attention of his own people that the strongest propaganda against communism today in the capitalistic world is the concept of freedom of the individual. He argued that more of it should exist within a Marxist socialist system.

Freedom Requires Responsibility Not Abuse

At the same time we must likewise recognize that freedom can survive only if coupled with responsibility. The public interest cannot permit abuse to become rampant under the guise of freedom. We can and must do our utmost to raise ethical standards in a world where all values are being questioned, lest we deteriorate to the level of our adversary. This then is competition of another kind — in the ethics of business conduct as well as in economic systems. Here is an area in which complacency may not be permitted to flourish in the glow of economic well-being.

Forthcoming Securities Markets' Study

Now, how can we carry these general principles concretely over to the study of the securities markets which Congress has commissioned us to undertake? Before going to substance, let me make a few comments on procedure. At the outset, let me assure one and all that this is not a publicity venture. There will be no midget perched upon anyone's lap. This study will be responsible, as evidenced by the choice of its director—a highly responsible lawyer. Anyone who has seen Milton H. Cohen in action is aware of his broad grasp of the securities field, both as a governmental official and active private practitioner. At the same time, even though the investigation will not be flamboyant, I would add that in our opinion some public hearings should in all probability be held.

Finally, with respect to procedure, I want to emphasize that this study will not be divorced from the continuing work of the Commission. We shall not sit and wait for the report in January 1963 if weaknesses come to light in our own administration of existing laws or in current industry practice. There is something anticlimatic about awaiting a protracted study and delaying all action until its ultimate submission and digestion. Therefore, where the need of change is demonstrated, action will be taken as soon as possible through amendment of our rules or early legislative proposals.

Turning now to substance, let me point out this is the first major study of securities practices and the market in 30 years. Much has happened in that interim in terms of the growth of the markets, proliferation in stock ownership, and changes in distribution and selling methods. The time is ripe for a new appraisal.

Study Will Be Wide in Scope

The study will be broad and inclusive in scope. Breadth of approach is clearly the dictate and intention of the Congress. As Senator Williams of New Jersey said on the Senate floor: "It is intended that this study and investigation be wide in scope; otherwise the resulting information will not enable Congress to examine the broad spectrum of the securities industry." The Commission has already been developing areas of inquiry. Lines have not been rigidly fixed as yet, but we do have some definite ideas on subject matter, I should like at this point to go over some of the areas which the Commission contemplates examining in this study.

An orderly and informed securities market depends to a great extent on the knowledgeability and integrity of broker-dealers and their salesmen. It is the salesmen who have immediate contact with the public. It is they who advise customers on the proper selection of securities. It is they who must fulfill the duty to know their customers imposed by exchange and NASD rules. It is the broker-dealers, employing these salesmen, who must bear a responsibility of maintaining the necessary standards by adequate supervision. Responsible conduct on the part of broker-dealers and their salesmen can, and should be, our keystone.

Certain factors may lead to a deterioration of standards in the marketing area. I cite by way of illustration the following:

(1) Part-time salesmen, who may operate from door-to-door and be remote from experienced supervisors.

(2) The growth of branch offices which may lead again to the potential separation of salesmen from supervisory officials.

(3) The growth of the base of stock ownership which has undoubtedly injected into the market less experienced investors and speculators.

(4) The sheer volume of activity on the market.

I do not say that any of these factors in and of themselves will erode standards. Part-time salesmen may be the most competent and ethical individuals. Professionalism, however, is harder to develop on a part-time basis.

The Commission is encouraged by the efforts of the industry to improve the standards of salesmen and broker-dealers—by any steps taken to inject a higher degree of professionalism into the securities business. We welcome the establishment of more rigorous tests as a condition to registration of salesmen. In furtherance of this goal of professionalism, we expect to determine what might be developed to improve the training, sense of responsibility, and general quality of broker-dealers and salesmen

Over-the-Counter Market

A second broad area of inquiry in the market study will be an examination of the over-the-counter market. This will encompass both distribution and trading in that market and regulatory jurisdiction over issuers. The latter poses the problem of the extent to which reporting requirements, proxy regulation, and restrictions on insider trading should be applicable to issuers whose securities are traded in the over - the - counter market. This problem has already been extensively analyzed and we do not intend to retrace our steps. On the basis of prior studies, it is difficult to avoid the conclusion that, in principle, investors in over-the-counter securities should be protected by the same type of measures governing listed securities. I believe informed judgment is the basis of a free and responsive securities market and that stockholders, investors, and securities analysts must have current information of material events affecting a company to be able to make intelligent investment decisions. Information about an issuer should not be sealed off once a company has offered its securities to the public. Nor should it be limited to officers, directors, and controlling persons, that class denominated as insiders.

Beyond disclosure there are other questions to consider. For example, should not the ethic of the office impose restrictions on short-swing trading as now imposed on insiders in companies having listed securities? Again, the argument is advanced that broker-dealers must both be represented on the board of directors and maintain a market in a company's stock. Our job is to find out whether this argument is soundly based. Thus further studies may be needed to settle some of the more controversial questions involving concrete ap-

plication of the provisions of the Exchange Act.

Underwriting Practices

We shall also review current underwriting practices. We have noted with interest the increasing use of various forms of special underwriting compensation, such as cheap stock and options. We have seen in a few cases extraordinarily high commissions in cash or stock and wonder whether the taking of such compensation is consistent with just and equitable principles of trade. Also, in a few instances—but a few is too many —we have noted public offerings of the securities of companies whose only business seems to be the manufacture of its securities. A distinguished engineer and board chairman told me that he asked a president what his company made, and the reply was $2 a share. What are the responsibilities of the underwriter who participates in a public distribution of securities? I know that many require far more information from an issuer prior to underwriting its securities than will be presented in a prospectus. Should not this type of careful inquiry be the standard for the industry? Does anything less satisfy the objectives of the Securities Act and the Securities Exchange Act? Just as you must "know your customer," should you not "know your issuer"?

Premium Over Offering Price

In connection with our analysis of the distribution process, we shall study in depth the distribution and "after market" trading pattern of issues offered to the public for the first time. Particular attention will be paid to issues in which the first trading price of a security represents a substantial premium over its public offering price. The staff will attempt to determine what is the cause of this premium, whether it results wholly from supply and demand or from practices which are intended to generate a certain type of market reaction. Among the practices which will be analyzed are those whose effect might be to restrict artificially the floating supply of stock in an initial distribution, such as sales to insiders or preferred customers who agree not to resell for a given period and sales to discretionary accounts where the customer has no immediate knowledge of the transaction. Furthermore, after-market activities which might tend to maintain or inflate prices will be reviewed. These include the requirement that a customer who buys at the offering price purchase additional shares at higher prices in the after market; open market purchases by insiders, underwriters and others for the purpose of maintaining a market; and the use of bids in the "pink sheets" to give the appearance of after market activity. The Commission will have to determine which of the foregoing activities actually are occurring with frequency and the extent to which they operate as fraudulent or deceptive practices.

ASE and Other Exchange Questions

The staff of the Commission is nearing completion of its investigation of the rules, policies and procedures of the American Stock Exchange relating to the conduct of specialists and other members. It is anticipated that the staff report in that investigation will be coordinated with a general inquiry into exchange problems. In this area, it is anticipated that we will take a new and comprehensive look, in light of past experience and present conditions, at certain basic questions that have been the subject of continuing concern, such as the specialist's role, trading by members, block distributions on and off the exchange, and the like.

Another very important area for inquiry deals with credit restrictions on the purchase of securities. There are at present numerous gaps and inconsistencies in the margin requirements. We shall attempt to determine if there is a rational or necessary basis for allowing these to continue. At present the credit problem has gained prominence because of the insolvency of a large factoring concern which allegedly was lending substantial amounts of money to customers for the purchase of securities.

Mutual Fund Examination

Finally, I should like to comment briefly on investment companies. Although some may not be directly involved in this aspect of the industry, I am sure they recognize the growing impact of the mutual fund on the economy. At the outset I should like to make it clear that the Commission does not in any way desire to impair the effective and proper operation of mutual funds, or to question the mutual fund as an important medium for public investment. We do, however, believe that certain practices, patterns, and policies in the investment company area warrant close examination. The 50-odd law suits involving mutual funds and their affiliates focus attention inevitably on certain ways of doing business. In the course of the market study we shall analyze selling practices of mutual fund salesmen. Independent of this study, the Commission itself has been undertaking a review of investment company relations with their investment advisers, brokers and underwriters; the participation by underwriters and dealers in investment advisory fees; joint transactions between the investment company and affiliated persons; and other practices such as "reciprocal business." The Investment Company Size Study undertaken at the request of the Commission by the Wharton School of Finance of the University of Pennsylvania is nearing completion and should provide useful data. The Commission will review and study all pertinent information with a view towards formulating a sound program in the investment company area.

In conclusion, I want to re-emphasize the anticipation and desire of the Commission for continuing and full industry cooperation on all the problems jointly facing us. We have a common goal—to raise the standards of the securities business.

*An address by Mr. Cary before the 50th Annual Convention of the Investment Bankers Association of America, Hollywood, Fla., Nov. 28, 1961.

Shifting Gears in The Canadian Economy

By Norman J. Alexander,* *General Manager, James Richardson & Sons, Winnipeg, Canada; and Chairman of the Canadian Committee of Investment Bankers Association of America.*

Refusing to go along with his countrymen's dark mood of doubt, Mr. Alexander submits Canada can cope with her critical problems. He avers the business upturn is well in progress — though still relatively unnoticed. Moreover, Mr. Alexander admits Canadians have only themselves to blame for "overbuying . . . the Paley Report," and declares the economy must develop its secondary industries to be competitive at home and abroad. Further, he commends the successful temporary steps pursued in what he calls "Operations Cleanup" to help the Canadian dollar and trade, and outlines what should be done for the more permanent "Operation on Course."

I would like to comment upon certain features of the Canadian economy and what is being done about them. The disappointingly slow growth in 1960 in Canada in 1960 contrasted sharply with the widespread optimism expressed at the beginning of that year and may well have dictated the cautious early prognostications made for 1961. There is no question now that a business upturn is well in progress in Canada, but it has not attracted too much attention.

Norman J. Alexander

Maybe the upturn has been largely masked by the interest that is directed to the "burning issues of the day" in the form of unemployment, the discount on the Canadian dollar and the building of exports in the face of Great Britain's proposed entry in the Common Market.

Nevertheless, Canadians individually are much concerned about Canada's economic feature but collective planning and action in a purposive sense has been regrettably slow in developing.

While I have to admit that economic Canada has arrived at a critical point in history, I am not prepared to concede that this critical point is dangerous and I do not in any way share the dark mood of doubt which is a feature that afflicts all too much Canadian thinking.

Stout of Heart

Canada is a Nation with a stout heart. We have the economic strength and human resources to meet and solve our knotty problems. Introspection, which can be an unhealthy attitude in both nations and individuals, will in Canada have to give way to critical analysis, constructive thinking and courageous concerted planning and leadership.

The nature and extent of Canada's resources from the first, when our exports were largely furs, has led to the development of an economy that has been dependent on International markets and never more so than today.

We had so much that the world wanted and there was so much outside help eager to assist us in developing these resources.

In passing, may I point out that half the foreign investment in Canada in the past decade has been direct investment in productive resources which obviously has been good for Canada and does not leave her vulnerable to the flight of capital or difficulties in servicing it.

Today Canada is facing the competition of a rehabilitated Europe and Japan with their modern plant and lower wage scale production. We are also competing with underdeveloped nations of Africa and Asia and elsewhere that are striving lustily for their place in the sun.

Of course, we are by no means alone in fighting for markets but there are certain aspects of the Canadian economy that make the task very difficult.

Canada's resource industries can claim an efficiency as high as that of comparable industries anywhere in the world. We can and are competing successfully on world markets and are a world supplier of basic resource products. As such, however, we have become far too dependent on transportation and foreign markets to support dynamic industry growth such as that seen in the United States.

Must Develop Secondary Industries

If we have trapped ourselves by overbuying the arguments of the Paley Reporth, we have only ourselves to blame. The long and short of it is that Canada, in order to maintain the high standard of living of which we are proud is going to have to develop our secondary industries to a point where they too can compete domestically and in a very substantial manner on the world market.

Canadian secondary industry, while for the most part technically first rate, has been geared to the limited home market. It has, in varying degrees, been protected by tariffs but it has been difficult to make headway against the mass production methods and wage scales of other countries. The premium which has prevailed on the Canadian dollar for a number of years has not helped. Under the circumstances it is not surprising that Canada's secondary industry has not been featured amongst the real growth segments of our economy.

If Canadian secondary industry can be moved into the good growth category, there is little question that we will have taken the long step toward solving the problems of unemployment which is threatening to assume ominous proportions.

Canada's resource industries such as forestry, mining, and oil today employ few more than they did a decade ago. Agriculture is actually employing less and the absorption of labor by secondary industry has not been sufficient to take up the slack in the labor force created by the normal population increases plus the crop of "war babies" that is now reaching the labor market.

In short, Canada's affairs have not been managed in a manner that has permitted the generation of sufficient business with the rest of the world to support continuation of her present high standard of living. While the obvious solution to the problems is the building of a far greater export trade there are many difficult bridges in our domestic affairs that must be crossed to achieve this goal.

Not the least of these is the generation of an export capability by secondary industry which in the past has been geared to the limited home market with the accompanying curtailment of economic efficiency and productivity.

Export Agency Created by the Government

The Canadian Government at the beginning of 1961, through its Trade and Commerce Department began a determined drive for export business. Trade commissioners in various countries were recalled to Ottawa and held long conferences with Canadian businessmen. Trade commissions are now the order of the day.

Under the aegis of the government, the Canadian chartered banks formed the Export Finance Corporation of Canada Ltd. to finance export sales for less than five-year paper while the government would take financing beyond that term.

A National Productivity Council has been established by the government. The Industrial Development Bank has been provided with additional financing capacity. In October 24 government trade commissions started out to visit overseas markets. Tax concessions have been made to promote increased research by industry and currently the government is reported to be considering establishing a fund to underwrite industrial research.

The premium on the Canadian dollar has long been a handicap to Canadian exporters and domestic secondary industry. Steps have been taken to eliminate this handicap which was largely the result of the flow of capital into Canada on an excessive scale.

The changes in the withholding tax rates made in the Baby Budget of December, 1960, were not designed to repel foreign capital from Canada but rather to remove special incentives to attract foreign capital that were no longer necessary. Foreign capital is still needed in Canada and will be made welcome but there is no bonus for coming to Canada. When making this change the Minister of Finance also introduced other measures in regard to investment companies and pension plans that would promote more domestic investment by Canadians.

The Canadian Dollar's Value

Probably the most dramatic development in connection with the dollar was the announcement in the June, 1961 Budget that the government intended to operate its exchange fund to lower the external value of the Canadian dollar. This was a complete reversal of policy. Previously the government had claimed that such an undertaking would be far too costly.

Exchange fund figures for July to September indicate that the Canadian dollar had largely been "talked down" to a discount as the fund actually lost U. S. dollars. Upward pressure however developed in a substantial way in October and the Canadian Government had to purchase 187 million U. S. dollars.

To the independent observer this catalogue of moves made by the Federal Government to help Canada must seem to be lacking in pattern. Because they treat with largely unrelated individual aspects of our economy, they seem to become palliatives rather than a panacea or even a collection of remedies. It is difficult to deny the accuracy of the observation but at the same time it is only fair to say in defense that many constructive proposals become trapped and die in the political jungles of Canadian constitutional federalism.

Constitutional complications, however, can be overcome by appropriate jurisprudence and cannot be permitted to stand in the way. As mentioned previously, Canadians individually are much concerned about our economic prospects, and great pressure is now being brought to bear upon the Federal Government for a review and overhaul of our economic practices, and the establishment of bold new policies designed to meet the demands of the future.

"Operation Cleanup"

I would not want to leave members of the IBA with the impression that Canada has started on a desperate "Bootstraps" recovery. I would suggest that the steps being taken might be labelled "Operation Cleanup." It is action that is being taken to adjust our affairs — cleaning up our own yard—all of which is necessary preparation for the much greater and more important "Operation On Course."

Actually "Operation Cleanup" is being successful. It now looks as if, for the first time in a number of years Canada will have a surplus in her merchandise trade. There has been a reduction in imports of capital. The GNP is rising, corporation profits are beginning to improve and with the increase in production, unemployment is decreasing.

The beneficial effects of "Operation Cleanup" however, are likely to subside relatively quickly. It must be considered as a necessary but temporary measure to give time to position ourselves for "Opeartion On Course." It is not possible at this time to detail the ingredients of this cominb operation. To be successful, however, it must embody:

(1) Courageous, determined and responsible leadership, at the highest level of authority.

(2) Co-operation and co-ordination of effort between management and labor as the two sides of industry and government.

It is often said that adversity or hardship hastens maturity. Maybe that is what has happened in Canada. Certainly we have not had hardships but the modest set backs or recessions during the past five years contrast sharply in our minds with the relatively easy and rapid growth of the first ten post war years.

We have suddenly come of age and now we are experiencing difficulty in adjusting our domestic affairs to meet the responsibilities that come with this new stature. In short we are having to learn to live not only with ourselves but with other nations in a rapidly changing but mature old world.

*Remarks of Mr. Alexander before the 50th Annual Convention of the Investment Bankers Association of America, Hollywood Beach, Fla.

Thy Neighbor's Dilemma

By Herbert H. Lank,* *President, Du Pont of Canada Limited, Montreal, Canada*

Canadian industrialist's frank-spoken address warns us not to be surprised if Canada reverts to protectionism in order to acquire the wherewithal to service its mounting external debt, to reverse its slowed-down growth, and to keep Canadians masters of their own home. Sorely beset by ECM's remarkable success, serious trade imbalance with us, and living off capital that provides for less and less native control, Canada is said to have a $540 per capita international payments deficit. This figure, in comparison, adjusted to our population would mean $90 billion instead of currently $4 billion U. S. A. imbalance. Mr. Lank opines no solution would result from a free trade pact with us or in joining ECM as currently operated. He suggests, instead, what we could do in our own self-interest to help his country, and adds that Canada would join any 50-50 club—where trade pact membership offers the same privileges to all members.

I felt highly honored when I was asked to address this gathering of Investment Bankers—that is, until it was brought to my attention what Aristotle said about your calling. He dismissed you with these words: "The most hated sort (of wealth getting), and with the greatest reason, is usury (that) which makes a gain out of money itself. . . . For money was intended to be used in exchange, but not to increase at interest. And this term interest, which means the birth of money from money, is applied to the breeding of money because the offspring resembles the parent. Wherefore of all modes of getting wealth, this is the most unnatural." However, you are not alone. We Canadians seem to be regarded in some quarters of world opinion with a similar jaundiced eye.


Herbert H. Lank

In fact, things are not what they used to be north of that undefended boundary about which a billion speeches have been made. So much has been said about Canada that you might wonder if one more speech is justified. Well, if you read "Gourmet," you see every month that the humble egg reappears in some new and novel form in spite of the fact that eggs have been staple diet for countless centuries. And Canada, like the egg, will continue to reappear in some different way for a long time to come. Currently, the Canadian situation is a bit scrambled. Aside from the many things that are right in Canada, there are many things wrong. But there is nothing seriously wrong with Canada that Canadians can't fix—and I have come all this distance to suggest that they might just do that all by themselves, unless her friends quickly decide that a co-operative approach to her economic difficulties (and, yes, to her economic aspirations) would be decidedly the better path to follow, for all concerned.

Self-Analysis in Progress

Canadians are actively talking about where they are going as a country, whether they have been going fast enough and what new steps must be taken now to correct the consequences of past errors and to help realize Canada's potential. There exists a discontent with the attitudes and procedures of the past which were developed to meet the challenges of a different era and yet have lived on. There is a spirit of inquiry, of introspection and of sober review, and this can be seen in the many official studies being undertaken of economic prospects and of particular industry groups, as well as by the many pleas and proposals put forth by business and community leaders and by our statesmen.

Today's generation of Canadians, nurtured on the cry of an earlier statesman that "The Twentieth Century belongs to Canada" are bothered by such basic questions as why our per capita output last year was actually **below** that of 1956; why our trade with the United States is so seriously imbalanced; and why control over major segments of Canadian industry continues to slip away. Some thinking Canadians seriously wonder whether Canada can continue very long as a separate community unless drastic steps are taken.

Having long ago achieved nationhood and having sustained it in the face of long odds of geography, demography and economics, Canadians are not at all disposed to throw in the sponge.

Fear of Common Market

Some of the anxiety in Canada naturally arises out of the remarkable success of the European Common Market. There, in contrast to our own economy (where last winter we had 11% of our work force unemployed), there is a record of accelerated growth, rising productivity and virtually no unemployment. In the EEC, the sober setting of objectives and the existence of a common sense of purpose toward achieving them is yielding the desired results, and the average Canadian wishes there were more of this at home. In my opinion, there is as much talk in influential Canadian circles of the EEC as there is of Russia. This derives from the inescapable fact that Canada is, relatively speaking, much more of an international trading nation than is, for example, the United States.

There is, in fact, sound statistical evidence to indicate that basic re-thinking of Canada's position is urgently needed. In this respect, Canada is in ferment and one need not be surprised if—as I hope—bold proposals result.

Productivity Static

One of the darker areas in the Canadian canvas is growth. The country's historic economic growth, from 1920 to 1956, was 3.75% per year, in volume terms. Since then, it has slowed down to 1.7%. Taking into account our growing work force, productivity per worker has remained static over the past five years. If we are merely to absorb the net new entrants to the labor force and reduce our current high unemployment to more normal levels in future, with no allowance for increased productivity, the rate of growth during the next five years will have to average 3.2% per year—almost double the current rate. But actually, I believe Canada has to achieve an annual increase of 5% if it is to develop properly. What's more, I think this goal is entirely attainable.

We will have to direct greater attention to the more productive industries if we are to reach a significantly higher level of production and incomes. But it isn't at all easy. Aside from being one-tenth the size of the United States, population-wise, Canada has long been exposed to U. S. tastes and this has served to "fragment" the Canadian market.

For example, 24 Canadian manufacturers of refrigerators compete for the 340,000-unit Canadian market, whereas in the U. S. it is felt that the minimum size for an efficiently organized manufacturer is 250,000 units per year. One of Canada's large rubber companies feels called upon to turn out 600 different sizes of tires in its single plant. The majority of these Canadian companies are U. S. controlled but the barriers to trade between the two countries make rationalization of production almost impossible. This is largely due to the GATT rules and the Most Favored Nation philosophy, which would make available to all countries any U. S. concession designed to assist Canada.

We have long basked in the sunshine of being a natural-resource storehouse for the world but Canadians feel they are getting short-changed in the process. They are questioning the wisdom of having about 75% of their imports come in the form of manufactured products. They are, in short, becoming weary of providing skilled jobs, high living standards and tax revenues to their foreign suppliers in such an imbalanced manner.

There seems to be one highly complex Canadian import which the United States welcomes—that is, people. For many years, and each year, Canada has supplied the U. S. with more college graduates by far than any university in the U. S. Traditionally, Canada has been able to offset this debilitating trend by bringing in Europeans, but this year it looks as though Canada will lose more through emigration than she will gain through immigration. Last year Canada provided the U. S. with 5,400 professionally trained immigrants (out of the total of 47,000 coming to you from Canada).

Balance of Payments Deficits

And now for another problem —our large deficit balance of payments. One of the first lessons I learned outside the classroom was this: "The purpose of exports is to pay for imports." We seem to have accepted the unorthodox slogan that "Trading is virtuous—the more the better" without due regard for the nature or the balance of such trade. Such virtue, obviously, has not been its own reward.

I won't dwell on the statistics, but it's worth noting that in the last 10 years Canada has chalked up a total deficit of more than $8½ billion in commodity trade and other international transactions — about $540 for every man, woman and child in the country. Such a per capita figure, had it prevailed in the United States, would have amounted to $90 billion in total. Now some people may enjoy luxuriating in a debtor position but this has reached a perilous stage. There was great national concern in the United States last year when it was running a deficit balance approaching $4 billion and there are grounds for continuing concern. Canadians have every sympathy for you and feel that your concern is fully justified. Neither nations nor individuals can continue for long to spend more than they earn. Canada's position in this respect is many times worse than that of the U. S. proportionately.

Add to this the fact that any adverse trade balance weighs more heavily on the Canadian economy than on the American by the simple fact that foreign trade looms much larger as a fact of economic life in our case than it does in yours. Since the late 1920s, U. S. commodity imports and exports have usually been below 5% of the U. S. GNP. Canadian exports and imports during the same period have

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"Peace or War?"

By John J. McCloy, Counsel, Milbank, Tweed, Hope & Hadley, New York, N. Y., and Member, Board of Directors, The Chase Manhattan Bank, New York, N. Y.*

A new international "free world" economic organization and a wider appreciation of the world's political problems by those holding responsible economic positions is the principal note struck by Mr. McCloy. It is aimed at those, here and abroad, who still propound the simple remedies of yesterday for today's problems without taking into consideration vast complicated changes and dangerous international repercussions if they are adopted. Reviewed are diverse proposals to cure our balance of payments deficit, and the difficulties of dealing with the U.S.S.R. illustrated by first-hand recollections of their disarmament duplicity. What Mr. McCloy envisions is the U. S. A. following, somehow, Britain's footsteps in joining or enlarging the "free world" membership of the pioneering ECM. This step, he says, is what is needed to—and can easily—outdistance the Sino-Soviet mass which before long will seriously mount their economic challenge.

I have had some difficulty in selecting a subject which seemed appropriate for a group of investment bankers. Perhaps it is because there are so many problems in this country whose determination affects values or investment that it is difficult to single out any particular one. I suppose a number of them will be discussed at talks and panels during the course of this meeting, and I am sure there are few, if any, to which I could contribute any new thinking.

John J. McCloy

Recently I happen to have been concentrating on what I suppose might be called the problem of peace and war and its relation to disarmament. It is so absorbing a problem that it is rather difficult to shift one's thinking to anything else. On the surface this may seem to be somewhat far removed from the consideration of security exchange regulations or marketing problems in the selling of securities, and yet it is hard to think of any aspect of this problem which could not deeply affect any business, including investment banking.

Let us say, for example, that the Soviets suddenly accepted a far-reaching disarmament program under principles to which we are committed. The effect that it would have on your economy could be quite drastic. What it would do to some of our growth stocks, the airplane manufacturers and many other modern producers would be very marked. How much of our industry is today related to defense, directly or indirectly? I have seen a number of figures—figures depend largely upon what you mean by the word "indirectly." Suppose we say 20% or even 25%, whatever the percentage is—we all know our defense activity has become an enormous factor in our economy and a comprehensive disarmament plant, if put into effect, would require some major readjustments. They are adjustments which could be made, but they would not be minor. Or suppose the aid program was suddenly abandoned? We hear a lot about its wastage and its ineffectiveness. We do not hear as much about its successes, but we could rather rapidly calculate what effect it would have upon our exports.

And this leads me to ask what effect the political situation in which we find ourselves has upon our balance of payments problem, of which we hear so much today. I think this reference to balance of payments may be a good starting point for me to stress my main thesis, namely, the necessity of a wider appreciation of the world's political problems on the part of those in positions of economic responsibility in this country. There was a time not long since when if we had a balance of payments problem, certain classical, homespun remedies could rather readily be applied with the certainty of almost immediate relief. If there was any pain involved, it was largely domestic and such steps could be taken without serious international repercussions. Things have changed, however.

Payments Deficit at "Serious Proportions"

After a short period when our accounts were roughly in balance, we are again faced with a deficit of serious proportions. We know that we cannot long stand a $2 or $3 billion deficit in those balances without serious impairment of our currency, and the impairment of our currency would have a profound effect on our security and that of the Free World. The fact is, however, that though we can't permit the deficits to persist, we do not enjoy the freedom of action to deal with them that other nations enjoy. If we suddenly applied a ban on foreign investments; if we shut off all aid; if we did not permit foreign travel; if we hoisted our interest rates and our tariffs; if we closed down on foreign investments; if we withdrew our troops from Europe and cut our military expenditures overseas, we would not have a balance of payments problem, but we would have some other problems so serious that we might even seek a little imbalance to remedy them.

There has been a disposition on the part of some critics abroad to take us to task for our failure to apply some of these measures and to point to their own discipline in the face of similar deficits. Some of the criticism may be justified, but more often I believe it fails to take into account the far greater complications we face, as well as the fact that not so long ago in large part it was our aid which helped and even enabled them to take the measures which brought about their improved position.

Our task of balancing payments is immeasurably complicated by the political situation the world faces. If we did clamp down in the way many advocate we should, we might well bring about a collapse of our whole world position. Other countries not in position of leadership do not have to weigh as carefully as do we the impact of what we do on the strength and political attitude of a large number of countries and peoples, including some in Europe. If they were suddenly deprived of our markets and capital, and were at the same time called upon to take up larger shares of economic aid to under-developed countries and a larger share of their overall military responsibilities, we would probably have to face a recurrence of new appeals for help.

U. S. Must Move Cautiously

Constant vigilance must be maintained to keep our currency strong but how it is to be done and the speed with which it is to be done demands a much more thoughtful decision from us than it does from nations unburdened with the rather heavy crown of Free World leadership. To put it another way, it requires more than monetary adjustments to arrive at the proper decision. It may well involve a rather agonizing reappraisal of a number of international political elements as well. This presents a rather narrow ridge along which those responsible for our financial planning have to travel compared with the paths others can choose. It has constantly to be kept in mind by all that the danger to our security and that of the Free World is located fairly close up on both slopes.

Some time ago I tried to develop this question of our international payments position in detail before another somewhat more regional group of investment bankers, and I am not going to repeat the effort at this time. The fact is that since then the world situation has become even more challenging, more serious, and accordingly any decisions we make in this field may be both more significant and more difficult in the great struggle which is now going on between the Communist world and the Free World. And I do believe that some of our European colleagues are more conscious of this fact and the mutuality of all our problems is becoming better appreciated than it has been in the past. The Monetary Fund meetings have in part been responsible for this and this points to a moral I would later draw.

"Peace or War"?

Now I should like to say something about which I believe is really the burning question of the day and that is the likelihood of peace or war in this troubled world. I often wish I had the vision to speak confidently about the likelihood of war. Others do and they, of course, are entitled to their opinions, but somehow I am rarely ever alarmed or comforted by what they say. From all the factors I can appraise I am bound to conclude that the situation is serious and the issue far from settled.

What we all know is that the Soviets and ourselves possess between us the means by which we could bring civilization as we now know it to an end—an end from which mankind might take the better part of a century to recover. After ages of endeavor mankind has achieved the doubtful success of inventing what is almost the ultimate weapon. This fact could be the starting point towards the elimination of war as a means of settling our international disputes, or it could mean the starting point of disaster. I venture to say that no one really knows what the consequence of man's possession of these weapons may be, but my belief is that the avoidance of war will not follow automatically from their mere existence. Mankind has too long a record of stupidities for us to take much comfort in the thought that because war has now become irrational, it will not occur. If war is to be avoided, it will require thought and effort rather than a mere balance of fear; it will require, as I see it, a high order of statesmanship and some good fortune; and it will also require an enlightened body of opinion behind the statesmen who make the decisions.

I think Mr. Khrushchev has demonstrated to his own and to our satisfaction that he can put up a 100 megaton bomb. If he did not explode one quite that large in this last series of tests, he made it clear he could, and I have no doubt we could explode a 100 megaton or indeed a 1,000 megaton bomb ourselves if we thought it necessary. And if war came it would really not take very many of them to bring about an entirely new and very much simplified order of things in what would be left of this world.

World Attitudes Not Comforting

We also know that the world is torn by as sharp an ideological and political schism as has ever existed in modern times. Perhaps the division was deeper and more hostile when the infidel was set against the Christian in the Middle Ages; maybe it was deeper when the barbarian opposed Rome, but whatever the historical analogy, it is clear that the pressures, the intrigues, the propaganda, the determination, the abusive interchanges between ourselves and the Communists are about as great as they can be short of war, and the combination of the atmosphere which these produce and the existence of these mass destruction weapons is, to put it mildly, far from comforting when we contemplate the possibilities of an outbreak.

I can understand people going about their business (as if their survival was not also their business) without giving much thought or attention to the international threats and incidents simply because they truly feel there is nothing they can do about them; I can also understand how they may have an opinion in regard to the likelihood of trouble over Berlin, but I do not see how within reason anyone can feel with any assurance that peace can be preserved interminably, however sharp the issues, merely by the continuity of great armed strength on both sides. I have not yet seen emerge a satisfactory answer to the Berlin problem, but let us say that by some honorable and wise action not yet recognizable, we do pass the crisis of Berlin, what about the next one, for these crises have an unpleasant record of recurring.

We can all recall how at the outset of World War II there were a succession of crises, such as Austria, Czechoslovakia. These were passed, if not without some misgivings, and then came Poland. It takes, I submit, more than a nice balance of weapons to keep the touch-off issue from arising if no fundamental change in the situation takes place. I conclude that our imperative is to do something to change the conditions under which we are now laboring, and that it is incumbent upon all those who claim to be knowledgeable and responsible members of the community to give thought as to what can be done to change these conditions.

It is considerations such as these which have caused so much attention to be centered upon disarmament in recent years. Although in itself it is not the answer to the threat of war, the concept of disarmament is strongly imbedded in people's minds as an aid to it. If we could stop the arms race and beat our swords

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Dilemma Confronting U. S. Regarding Latin America

By Dr. Milton S. Eisenhower,* *President, Johns Hopkins University, Baltimore, Md.*

Depiction of grave national dilemma confronting us with respect to our Latin American responsibilities reflects much of Dr. Eisenhower's first hand study as Presidential Special Ambassador and Personal Representative in 1953, 1957, 1959 and 1960. Dr. Eisenhower finds we must quickly increase our aid to that area but observes that the needed, and committed, amount of $20 billion in the next 10 years comes at a financially inopportune time for us even though it will be mostly in the form of public credits. Noting that past similar aid has left us with annual imbalances and that we now have a serious international deficit payments problem, the University head ponders the disastrous threat this poses for our country and the free world. Resolvable suggestions made include: (1) more foreign aid from the developed free world; (2) keep our export costs down; and (3) restrict our foreign aid to the imperative and, if need be, set up a priority as to which part of the world needs our aid the most and concentrate it there.

I

Investment bankers, as leading investment counsellors and administrators, must be deeply concerned, as I am, with trends in international finance which threaten the soundness of our currency at the very time that world leadership places increased burdens upon us. In this situation we are compelled to make choices, none of which seems to be attractive. I want to discuss this national dilemma in relation to our responsibilities in one major area of the world—namely, Latin America.

Dr. M. S. Eisenhower

I am sure we all recognize the exacting interdependence of the United States and the republics of Latin America. Our private and public investments in these countries exceed $11 billion and, save in Cuba where unmitigated robbery has replaced honesty and decency, our investments earn a fair return. Trade with Latin America—amounting to $4 billion a year each way—exceeds that with Europe and with all other areas of the world, except Canada. We import from Latin America a vast array of primary commodities which are indispensable to the operation of our immense industrial and business complex, and we export to Latin America manufactured and processed goods that represent the entire gamut of our production.

But the economic significance of the American nations to our welfare is no greater than their social, cultural, and political importance to us. Most of the nations of this hemisphere adhere, as we do, to the Judaic-Christian philosophy which places human values above material considerations. Together, we cherish independence, freedom, human dignity, and mutuality in human relations. We seek to maintain political and social institutions which are most conducive to the enhancement of these supreme human values. Hence, we abhor totalitarianism in every form, and in most situations we find ourselves standing together in the world struggle which will in time decide whether humanity will progress in freedom or again be bound by the age-old fetters of tyranny imposed by an omnipotent state.

Revolt Against Poverty

Unfortunately, most of the nations of Latin America have not progressed economically as rapidly as they could and should. Hence, we find that economic matters dominate the thinking of our southern neighbors, sometimes to the point of subordinating concern for human dignity and individual freedom.

The average per capita income in Latin America varies from $55 a year in one nation to nearly $1,100 in another. The disparities within each of the Latin countries are even greater than between countries. It is not at all uncommon in a Latin American country for a relatively few families to be quite rich, some fabulously so. The number of middle-income families is few. The masses of the people are desperately poor.

Economic and social stratification is an inheritance which has been evident from the beginning of Latin American history. But modern communication has alerted the masses to the fact that poverty, human misery, and degradation are neither universal nor inevitable. We therefore are witnessing widespread, insistent demands for reforms — reforms which will enable productive enterprise to benefit **all** of the people, as it does in the United States.

Since World War II the revolutionary threat has been growing in Latin America with bewildering speed. We in the United States have tried as best we could to be helpful. We have provided technical assistance designed to attack the problem of mass illiteracy and to improve the level of education generally; to increase and diversify agriculture; to expand health facilities, and to bring better management into governmental, industrial, business and other undertakings. We have shipped large quantities of surplus food to meet emergency situations which threatened starvation, and we have extended loans to speed economic development. In the past eight years, we have doubled the rate of public and private investment in Latin America, as compared to any previous period.

Now, under the 1960 Act of Bogota, fostered by President Eisenhower, and the Charter of Punta del Este, sponsored by President Kennedy in harmony with his Alliance for Progress proposal, we have guaranteed to provide Latin America with $20 billion, mostly public credits, in the next 10 years.

II

This guarantee poses the first part of the dilemma I mentioned.

The United States is today, and has been for several years, in serious difficulty in the field of international balance of payments. Exports of goods and services from the United States continue to exceed imports by $3 to $4 billion a year. But support of our military forces abroad, military and economic aid to other countries, including Latin America, and a steady outflow of private investment capital have overcome favorable trade balances and have yielded a deficit in international balances each year. Between 1957 and 1961 our gold reserves declined by $5.4 billion. In the same period, foreign **claims against** United States gold increased by $4.7 billion. Today, foreign claims exceed our total gold supply by more than $2 billion. Since more than $11 billion in gold must by law be held in reserve as backing for our currency, the actual deficiency in our gold supply, to settle international accounts, has reached more than $13 billion and threatens to become greater.

How long the United States can tolerate this situation without encountering financial difficulties, which would be disastrous both domestically and throughout the free world, surely merits careful consideration.

Dillon's Policy

Secretary Dillon, testifying before the Senate Committee on Appropriations shortly after our Punta del Este commitment for greater aid to Latin America said: "I wish to emphasize that it is the form in which aid is extended . . . that is most relevant to this question (of international balances). Under the new program, as at present, we will continue to place primary emphasis on the purchase of United States goods and services by aid recipients. The preponderant bulk of foreign aid expenditures will be made in the United States. Such expenditures, which are accompanied by American exports, have no adverse impact on our balance of payments. Our objective will be to reserve between 75 and 80% of the available funds for procurement of United States goods and services."

It must be noted, however, that the policy enunciated by Secretary Dillon has been in effect for several years and has left us with the annual imbalance I have mentioned. It follows that greater aid to Latin America or any other external area will enhance the problem.

III

The opposite phase of our dilemma is that we must quickly increase aid to Latin America to meet the rapidly growing threat of revolution. We see dramatic evidence of political instability today in Ecuador, Northern Brazil, Peru, Panama, El Salvador, and other countries. The threat of revolution has been made far more dangerous by the spread of Castro-communism in Central and South America.

Most persons in the United States are mystified by the support which the egocentric, flamboyant dictator, Castro, has attained throughout the hemisphere, while we view his inhumanity as being worse than that of Trujillo, Perez Jimenez, and Peron. If we are to exercise the degree of patience required of us—if we are to be effective in keeping Latin America within the fold of freedom-loving nations—it is imperative that we understand why this divergence of view has developed.

The Castro Story

In the tumultuous months following Castro's victory as a revolutionary leader, four distinct issues emerged: **First**, was Cuba at last to enjoy democratic freedom, or to suffer still another tyranny, even worse than that imposed by the arrogant Sergeant Batista? Second, if tyranny were the unhappy lot of the people, would it be indigenous or would it — in defiance of policies to which the whole American community adheres—be dominated by a subversive extracontinental power? Third, would threatened expropriations of property be handled in harmony with international custom or would they be outright thefts? And, fourth, would Castro, either as democratic leader or dictator, proceed with promised social reforms which initially had gained him the support of Cubans and of the hemisphere generally?

As events unfolded, most persons in the United States gave primary attention to the first three of these issues. Most peoples in Latin America were more concerned with the fourth, the promise of social reforms.

Consequently, our attitude became deeply and unanimously antagonistic. That in Latin America became ambivalent, though mainly sympathetic.

This divergence in attitudes was due to a sharp change in **our** thinking, not so much in **theirs.** At the height of the revolutionary struggle and even for a short time after Castro seized power, he was a hero in Cuba, in Latin America, in the United States—indeed, in all the free world. This was a natural reaction of decent people who were disgusted with the brutality of Batista and deluded by Castro's repeated promises that, when the revolutionary forces succeeded, the constitution of 1940 would become the supreme law of the land. He guaranteed freedom of information, all rights set forth in the constitution, and general elections within a year after the defeat of Batista. His propaganda continuously called for "a free and democratic Cuba dedicated to social and economic justice."

But shortly after he came to power, Castro began to reveal

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Growing Role of the SBICs

By Phil David Fine, Deputy Administrator of the Small Business Administration, Washington, D. C.*

Investment bankers are brought up to date on the growth and impact of SBICs since their statutory inception in 1958, and invited to participate more fully in this financing medium. SBICs are said to now number 425 companies, with nearly $450 million in capital and $700 million investment potential, which include 42 that have gone public in the total amount of $300 million with another 17 SBICs currently in registration for a total of $80 million more. Described is the investor appeal these companies have, their contribution to the economy's growth, the participatory role of commercial banks, and the growing awareness of all this in the investment banking field.

Phil David Fine

Although a few years ago there were few, I'm sure, who ever visualized the government's being in the investment banking business as an active partner, we are very much in it today through the Small Business Investment Company program.

For those who are not fully acquainted with SBICs, perhaps I should describe this program in brief. In 1958 the Congress, after completion of a study by the Federal Reserve which established that long-term funds for small business were not easily available, passed a law authorizing the Small Business Administration to license, supervise and, in certain cases, help finance small business investment companies which would serve as sources of equity capital and long-term loans to small businesses.

There have been sources of equity capital available to larger businesses almost since the beginning of our country. And there have always been individuals and businesses ready to invest in promising situations.

What the SBIC has done is to institutionalize the procurement of venture capital for small business and make the rules open for public scrutiny very much as investment bankers and major stock exchanges have done for bigger businesses.

Prior to the SBIC a small businessman usually sought venture capital on varying terms by contacting friends, or friends of friends and any who would listen. But it was always difficult to obtain in adequate sums, and in recent years small business found it well nigh impossible to obtain equity funds.

By formalizing sources of funds for small businesses through the SBIC, the government has provided an instrument needed to meet a situation in which our economy has grown so big, in a sense, that demands for such funds had outdistanced the supply.

But the SBIC has done more than formalize the rules for obtaining equity capital and to bring the sources out in the open.

It has expanded to a tremendous degree both an awareness of and the sources of venture capital funds.

Beyond that, it has provided for small business men previously oriented toward only commercial loans, an awareness of sources of equity funds and at the same time, indirectly, directed them to people and organizations which were able to provide them with knowledge of other financing instruments beside loans, instruments of financing of which some were previously unaware.

These have been incidental developments. The primary aim of the program was to create and formalize sources of capital for small business.

42 Gone "Public"

As proof that the principal aim has a good running start in the proper direction, I cite the fact that as of Nov. 29 there are nearly 425 small business investment companies in business, with nearly $450 million in capital and with investment potential in small business of $700 million. This capital has always existed, but it has never before been concentrated into even a dozen groups to say nothing of 425 companies.

I might add that the SBIC program has had a direct benefit for some investment bankers as well as possible future benefits on which I plan to touch. Because 42 of these SBIC's aware that their initial funds were inadequate to meet the needs which they saw coming up, promptly went "public" through underwritings conducted by quite a few members of the IBA.

The total amount of their public sales was more than $300 million while another 17 SBIC's are in registration with the SEC for $80 million more.

This represents a fair bit of business for the investment banking business.

If the volume of sales were the only criterion by which to judge the SBIC, it would be less than impressive in comparison to underwritings in other fields.

However, it is the awareness displayed by people in the investment banking field in recognizing that the SBIC had investor appeal which is deserving of attention.

Ordinarily it takes quite a bit of time for reasonably widespread appreciation of the potentialities of a new investment medium. In this case, the investment banking fraternity took a good, hard look at SBICs and their principals—many of whom, I might add, can be found in any financial "Who's Who"—and decided quickly they liked what they saw and that the new investment medium had worth.

It had worth not only as an underwriting venture, it has worth now as a profit-making investment medium which will show big appreciations in the future, the degree of which will depend upon the management personnel of each SBIC.

Currently, these 42 SBICs which are publicly held are selling at prices averaging 118% of book value.

While this ratio can be subjected to numerous interpretations by dozens of securities analysts, it is nevertheless a firm indication of public acceptance of SBICs after only a year—or slightly more for a very few companies — as an investment medium.

Not "Out of Vogue"

And, I might add, it contravenes to a considerable degree the recent statement in *Barron's* editorial that SBICs are "out of vogue" in Wall Street.

But regardless of criticism by *Barron's*—or any other publication—it is an established fact that since the first of this year, 27 SBICs have had successful public sales of stock for nearly $210 million, $132 million of which was sold in July, August and September of this year, and that does not include the 17 now in registration for still another $80 million.

And it ought to be noted that more than 60 SBICs number among their principal stockholders—and in some cases the sole shareholder—more than 125 of the Nation's banks, including some of the largest in the country.

A good example of what this public acceptance—through securities underwriters—has done can be shown in a single instance.

One SBIC, backed by a small group of banks—among other stockholders—sought the public sale of stock jointly through an underwriting firm with limited experience and reputation, and through a hastily set up organization composed mainly of the commercial banks listed among the stockholders.

The underwriting firm undertook the sale on a "best efforts" basis.

The net result at the end of a year was that less than $200,000 in stock had been sold, less than a good underwriter could place in a half day.

Convinced finally that commercial banks are not equipped for such projects, and after settling with the original underwriter, the SBIC began anew. With a complete reorganization and by enlisting the services of an established investment banking firm, the SBIC was able to complete a successful public sale amounting to more than $5 million within a few weeks.

Presently, there are in existence 425 SBICs, with total capital available or about to be available for investment in small business amounting to $500 million. In addition to this sum, they have a borrowing potential from the SBA of 50% of that figure, $250 million, or $750 million altogether. And this is exclusive of their borrowing power from outside sources.

This growth is buttressed further by another 300 proposals either ready for licensing or un-

der review for another $120 million.

Many of these will be going public as the awareness grows that to maintain an adequate portfolio requires more than the minimum capital with which so many started in the early stages of the program.

Let's go back in history a bit.

How Did This Phenomenon, the SBIC, Come About?

From the Federal Reserve study mentioned earlier, which was the synthesis of findings by Congressional groups holding hearings across the country for more than three years, the Small Business Investment Act of 1958 was born, and with it the SBICs.

In the beginning there were those seeking to form SBICs who lacked investment knowledge and who saw in the program possibilities which they couldn't properly evaluate.

But, there were those also who sensed immediately what an SBIC could become; analyzed its favorable tax climate, saw the tremendous need and moved into high gear.

I cite an instance of the kind of situation best suited to the SBIC.

A midwestern electronics engineer with considerable background in his field and author of numerous papers on electronics, started his own firm. It consisted of a full time engineer, a secretary and some part-time help.

Because he had helped develop instrument systems for guided missiles in the Naval Research Laboratory, he was able to obtain a consulting contract from a nearby Air Force Base. This was followed by development contracts with two commercial firms.

At the end of his first year he showed a $5,000 net profit.

In the following year he obtained contracts with three major missile manufacturers for the development of signal conditioners and other telemetering equipment.

As a result of these contracts the firm developed a proprietary line of telemetering components and began the sale of these items. Sales for that year were $200,000, a 400% increase and he showed an after-tax profit of $24,000.

The following year brought growth and excellent potential but his individual resources were strained. Paydays were running 90 days slow. He passed his salary for three months and essential equipment was needed.

A bank which earlier had advanced $25,000 would advance no more. He needed equity money.

A resourceful SBIC studying his application for funds, saw the potential which the bank would consider as an asset.

An SBIC Entered the Picture

His annual sales of $700,000 were 350% higher than the previous year; his net profits were double, even after the big percentage bite taken by corporate income tax. His backlog stood at $1 million, and yet, he couldn't pay his creditors and had a $26,000 installment on income taxes due in March.

His biggest single backlog was a $500,000 order for telephone facsimile receivers and the others were for telemetering equipment.

Working with his accountants, he made a financial analysis of his position and called in an underwriter's representative.

The underwriters, after an analysis of their own, said they were unable to assure any firm commitment for the sale of equity securities.

Then the engineer contacted an SBIC.

Eventually, he worked out an arrangement with two SBICs for $1 million in capitalization whereby he would set aside 50,000 shares comprising 23% of the stock, for conversion at $4.50 a share, while the selling price would be $5 a share.

The usual agreements regarding possible public sale followed and the electronics business was on its feet. The SBICs had adequate board representation and were satisfied.

I won't go into all the details, but the business has grown tremendously and the conversion rights of the SBICs would show a realizable profit of $96,000.

However, at the rate the company is growing, they both prefer to wait for bigger profits.

Lesson for Underwriters

This may seem a long detailed and drawn-out story, but I cited it because it points out a lesson to be studied.

An investment banking firm may or may not be interested in Regulation A financing. There are advantages and disadvantages to such financing.

But, mark you, if you will go to the trouble of investigating the needs (and profit potentialities) of more than 150,000 of the Nation's hitherto neglected small businesses — and by small businesses I mean those manufacturing and other businesses with assets of $250,000 and upward—you will, I am sure, decide it's time you got in on a tremendous potentiality.

Let me chart such a possibility.

Let's suppose that the SBICs made the arrangements I've cited previously—and they are true except as to geographical location and manufacturing category.

Again, let's suppose the electronics company grew to the point —as this one did—where it was ready for a public offering.

It would then need a reputable underwriting house to handle its financial arrangements for such an offering.

And your firm, like others, would hope that such a firm would be attracted by your reputation to come to you. You might get it. You might not.

Now let's suppose on the other hand that one of the SBICs which did supply the needed capital was a subsidiary company or affiliated with your underwriting firm.

Where would that business go for financing?

It wouldn't go anywhere. It would so have the confidence in your affiliate SBIC that it would easily be guided to your parent firm for the funds it needed.

This is no fanciful idea.

Three participant underwriters already have strong financial interests in SBICs. More will follow.

When Hillon, Manley and Clair, to synthesize underwriting firms, or Widder, Beanbody, began to realize that an SBIC can perform the same function for a securities underwriter that the Richmond baseball club does for the New York Yankees, that firm will hold the same enviable spot the Yankees do in the major leagues of the investment banking field.

It doesn't take a Casey Stengel to know that if you can get one Tony Kubek out of 16 rookies on the Richmond team, you have a big profit coming.

Nor does it take a senior partner in Lehman Brothers to know that one small business which is brought to the point where it has a successful public sale of stock will make up for the 10 or more in the subsidiary SBIC portfolio which show merely taxable profits.

"Here to Stay"

The SBIC is here to stay.

What use is made of it by the investment banking fraternity is their decision to make.

I point out only that it is now a tested medium (In their first eight months of the program 80 SBICs showed a 12.8% return on invested capital) and can produce profits for those with know-how.

There is no place in the program for charlatans and those who lack management know how. The first will be punished and the second will wither.

But for these who can view the potential of thousands of businesses needing—and lacking—the financial guidance without which success cannot be attained, a rich goal lies ahead.

It will be rich for investment bankers as the operator of an SBIC—those tax benefits are not to be ignored—and of real advantage to the businesses to be aided.

Beyond this, in an appeal to both cupidity and patriotism, I point to what adequate financing for small businesses can do to help expand the potential might of our Nation.

We live in a period where only the threat of our potential lies between us and attack by an enemy who would destroy us.

If we do not keep pace we'll be a vulnerable target for attack.

By forging ahead, we can achieve such potential that no enemy will dare attempt a frontal attack, lest one segment remain alive to thrive, regain power and restore us to the point where we loom against challenge—and overcome through sheer will—the attacker who sought to destroy us.

The challenge is the investment banker's—to expand our Nation's businesses. So is the decision.

*An address by Mr. Fine before the 50th Annual Convention of the Investment Bankers Association of America, Hollywood Beach, Fla., Nov. 29, 1961.

The Investment Banker and Merchant Marine Financing

By Leonard F. Nichols, Comptroller and Member, Maritime Subsidy Board, Maritime Administration, U. S. Dept. of Commerce.*

Facts and figures of the development and present state of U. S. Government Insured Merchant Marine Bonds are used to support prediction made of a growing future for and greater acceptance of these offerings. Mr. Nichols terms these issues as quasi-Government bonds; decries their present higher basis points differential over comparable securities; and opines they should now not yield at offering more than 50 basis points more than long term governments. He foresees their being priced somewhere between long term governments and AAA corporates in the immediate future, and ultimately more closely approximating long-term governments. Investment bankers are advised to develop a supply of capital at reasonable rates and are warned not to adopt an attitude of relying solely upon Title XI insurance but to regard such transactions initially as a commercial venture and lastly as a government guaranteed project.

On behalf of the Maritime Administration, U. S. Department of Commerce, I am indeed appreciative of this opportunity to discuss with members of the IBA the role of private investment in the replacement program of the American Merchant Marine. It is my sincere hope that as a result of this paper there will develop a better understanding of the objectives of this program, a clearer perception of the means being utilized in achieving its objectives, and the creation of an awareness of the program on the part of many present.

L. F. Nichols

The importance of ship replacement to the American Merchant Marine makes the continued success of the program imperative to the nation. An adequate American merchant fleet is deemed essential to the maintenance of our foreign trade and commerce, vital to the stability of the Free World.

Essential to Economy and Defense Posture

This importance is recognized by no less an authority than President John F. Kennedy, who, in his National Maritime Day Proclamation, called the American Merchant Marine "a major factor in maintaining the economy of the nation through serving the peacetime commerce of the United States," and "American-flag shipping essential to the defense of this and other nations of the Free World and to the cause of freedom on every continent."

The importance of U. S.-flag merchant ships is recognized also by Secretary of Commerce Luther H. Hodges, whose efforts on behalf of increasing this country's exports are, I am sure, known to all investment bankers. But exports and imports require ships, and in this regard Secretary Hodges has said: "I believe this country needs and I believe this country should and can have a strong, vigorous merchant marine. I think that the Federal maritime programs which are adopted by future Congresses will and should take this into account."

Thus, it is on the highest authority that the Maritime Administration recognizes one of its major functions to be the maintenance of modern, efficient, U. S.-flag ships on the trade lanes of the world.

At the very outset, permit me to recognize the constructive professional advice and service rendered over the past several years by a number of highly respected members of the banking and investment industry. Were it not for their support, and personal advice to those of us in the Maritime Administration who are responsible for administering this program, it is doubtful that we would have progressed to our present posture.

In order to adequately appreciate the ultimate benefits accruing from the financing programs to be discussed, it would appear helpful to bring into focus the greater national interests being served by these programs both directly and indirectly. An appreciation of these interests should lead to the conclusion that the American Merchant Marine is a dynamic force at work daily influencing our economy, and our economic trade relations with other nations of the world.

Not since Colonial days have American economic strength and survival depended so much on ties with the outside world, and the principal commercial link in these ties is provided by our American Merchant Marine. Fast, modern merchant ships are essential not only to our military strength but to our economic strength as well, and this factor is highly significant in maintaining our position as the leading power in the Free World.

Generates Billions of Income

Research conducted by the Committee of American Steamship Lines indicates that our merchant marine employs more than 200,000 in seafaring, shoreside and shipbuilding jobs, contributes several billion dollars annually to the economy, is an important customer of American farms and business, and is a substantial taxpayer. Our foreign trade provides direct employment for approximately 4.5 million Americans and indirectly benefits all workers. A further study of this Committee has also indicated that since 1946, 85% of net operating subsidy costs paid out by the government has been offset by Federal income taxes paid in by the shipping companies and their employees.

The Merchant Marine's total contribution to the economy is estimated at $5.3 billion annually. The contribution of seagoing and shoreside operations and shipbuilding activity alone can be set at $2.8 billion a year. Earnings of all employees in the American Merchant Marine, including shoreside and shipyard workers, amount to more than $1 billion annually. Another estimated $1 billion in earnings is generated by the domestic movement of foreign trade cargo — for warehousing, truck and rail movements and other handling—aside from ship loading and voyage movement. These few salient facts clearly reflect that the American Merchant Marine is an important American industry and the protector of our priceless lifeline of trade with the rest of the world.

The Merchant Marine Act, 1936, as amended, is a comprehensive Congressional enactment designed to foster the development and encourage the maintenance of an adequate and well - balanced American Merchant Marine, both for commercial and national defense purposes. As one means of carrying out such purpose, Title XI of this Act authorizes the insurance by the Secretary of Commerce on behalf of the United States of ship mortgages and loans made to finance the construction, reconstruction and reconditioning of ships. Other related promotional programs embraced within this Act are:

Operating - Differential Subsidies, designed to place qualified operators of U. S.-flag ships in essential foreign commerce on a parity with their foreign - flag competitors through the payment of part of their operating expenses (principally wages).

Construction-Differential Subsidies, designed to equalize the positions of American and foreign shipbuilders.

The Federal Mortgage Insurance Program

My remarks will deal more particularly with Title XI of the Act—the Federal Ship Mortgage Insurance program.

While this Title was originally enacted in 1938, it did not become significant legislation until 1954. The chief drawbacks were:

(1) Unworkable interest provisions;

(2) Requirements that lenders take foreclosure action and accept government debentures in lieu of cash in payment of insurance; and

(3) Provisions excluding construction loans on ships to be used in foreign trade.

In 1954, however, the Congress amended Title XI in its entirety "to facilitate private financing of new ship construction." The amendment was the culmination of the efforts of the shipping industry and lending institutions working in close collaboration with the executive and legislative branches of the government. This enactment, as well as subsequent amendments, recognized the sizeable ship replacement program facing the American Merchant Marine and the importance of providing private rather than government financing for such program—thereby conserving public tax dollars and avoiding the necessity for substantial appropriation of government funds. Since 1954 the insurance by the United States of mortgages and loans under Title XI has been the government policy for financing ship construction, reconstruction and reconditioning.

Title XI authorizes generally the insurance of loans to provide funds during construction of up to 75% of the actual cost of vessels as determined by the Secretary of Commerce and ship mortgages, after the ships are completed, of up to 75% of actual cost or, in a case of ships built without construction - differential subsidy and meeting certain requirements, up to 87½% of actual cost. Mortgage maturities generally run up to 25 years for all ships except tankers and other liquid bulk carriers which have a limit of 20 years. The 1954 amendment provided for 90% insurance of these loans and mortgages. However, since the risk of the uninsured portion was not acceptable to lending institutions —which required the equivalent of cash collateral for the uninsured portion and thereby imposed an additional burden on the shipping companies — the 90% limitation was eliminated in 1956 as a further move "to facilitate private financing of merchant vessels in the interest of national

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Report of IBA Foreign Investment Committee

Arthur L. Wadsworth, Vice-President of Dillon, Read & Co., Inc., New York City, in his capacity as Chairman of the Foreign Investment Committee, presented the following Report to the Convention.

INTRODUCTION

In our report last year we reviewed the development of foreign investment by United States investment bankers and investors covering the period commencing with the end of World War II through 1960. In that report we included certain tabulations which are brought up-to-date in this report in Appendices A and B. We shall not repeat here the historical information included in last year's report, but we do wish to reconfirm the conclusions which we set forth in that report.*

A. L. Wadsworth

In particular, in view of the continuing concern about our balance of payments position, we want to repeat one basic conclusion from last year's report as follows:

"We should like to state that the Committee fully supports those fiscal, monetary, wage, price and international policies (including export promotion and greater sharing of our defense and aid burdens) which are essential to provide a sound balance of payments relationship between the United States and the other nations of the world. We firmly believe, however, in private foreign investment and we believe there are many steps which can and should be taken to correct our balance of payments position without discouraging private foreign investment for sound economic development."

*Full text of last year's Report appeared in the "Chronicle" of December 15, 1960.—Editor.

Activities of the Committee

During the year the Committee held two meetings including one at the Spring Meeting of the I.B.A. last May.

A sub-committee spent a day in Washington, D. C. this fall conferring with the principal governmental agencies and international institutions which are concerned with foreign investment. The Agenda of these meetings is set forth in Appendix C and certain pertinent information obtained at these meetings is incorporated in this report.

Your chairman and several members of the committee attended the 1961 Annual Meeting in Vienna of The World Bank, The International Monetary Fund and The International Finance Corporation. This was one of the most impressive meetings your chairman has ever attended. Seventy-two members were represented by over 600 government officials including in most cases the principal financial officer of the respective member governments. In addition, approximately 300 "special guests" representing many of the leading private banking firms in the free world attended the meetings. At the meetings this year the greatest interest centered on monetary problems and policies, including proposals by the International Monetary Fund to increase, if necessary, the resources at its disposal by special standby credit arrangements with the main industrial countries.

The formal meetings included a number of stimulating addresses which were widely reported in the financial press. Mr. Robert Garner's final report as President of The International Finance Corporation was outstanding for his frankness in advising the developing nations that management and technical ability are even more important than money in achieving economic development.

Equally important were the opportunities afforded for private discussions of mutual problems in the field of international finance between government representatives and the private bankers present.

This meeting was a striking example of the success achieved by these international institutions since their creation after World War II and a tribute to the preeminent position which they occupy in the free world today.

Foreign Investment Developments In 1961

The past year has been characterized by conflicting currents in international economic and political developments which have had varying effects on foreign investment activities. As the year began the United States was engaged for the first time in many years in widespread discussion of its "balance of payments" problem. As the year ends, this problem is still not solved and is a matter of continuing concern. Throughout the year there have been recurring political disturbances in various parts of the world and these have had an adverse effect on the confidence factor which is so vital to private foreign investment. On the other hand there has been continuing rapid growth in the free economics of Western Europe and Japan and growing confidence in the success of the European Common Market.

The first two developments created a noticeable increase in the reluctance of institutional investors to make new investments in dollar bonds of foreign issuers. We believe that certain foreign enterprises, both public and private, have not been able to obtain funds through the sale of their bonds in our markets—funds which they desired and which they might have been able to obtain several years ago in our opinion.

Meanwhile interest in the purchase of foreign equity securities has shown an increase during the year. There was some reduction in interest during the summer and early fall but our members report a strong resumption of interest recently on the part of both United States investors in European equities and European investors in United States equities.

In addition there have been several developments on the part of both United States governmental and international agencies which should foster private foreign investment in the future.

The United States Government has taken positive steps to encourage participation of private capital in foreign lending by supporting such credits with broader and potentially more effective guarantees than it has offered in the past.

Foreign Investments Guarantee Expanded

The first plan which is of particular interest to investment bankers is the new program of AID (the new Agency for International Development). Under this plan the former ICA guarantees against war, expropriation and inconvertibility have been broadened to cover revolution, insurrection and serious breaches of contract by a foreign government. In addition, and of more importance, AID is willing in "special" cases to write "all risk" guarantees including normal business losses. These special cases are limited to high priority projects in high risk areas among the less developed countries — principally projects furthering social progress or the development of small business. The total fund available for "all risk" insurance is limited to $100,000,000, of which $10,000,000 is earmarked for housing guarantees in Latin America. In addition the coverage in limited to a maximum of 75% of the equity or loan investment (and more commonly not more than 50% on equity investments), and to not more than $10,000,000 per investment. The specific political risk guarantee can be used alone to cover 100% of the investment where the "all risk" insurance cannot be obtained.

This program though limited in size and scope, recognizes a basic problem in interesting private capital for financing new enterprises in the less developed nations. The risks are too great without such guarantees to entice United States institutional lenders whose support is in many cases vital to provide the necessary leverage for the equity investors in new enterprises. If the program can be made to work even in a limited way it will provide a new opportunity to demonstrate the advantages of private capital and private business management in developing the economies of these nations.

We recommend that members of the I.B.A., working with their industrial clients, develop projects which should be able to qualify for this new "all risk" insurance program. Only in this way can the possibilities as well as the problems in this new field be explored. The results should be mutually advantageous.

The second program consists of two new plans to provide comprehensive guarantees against both political and commercial risks which have recently been

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Backgrounds of the New Principal IBA Officers

The slate of officers elected at the Convention on Nov. 30 included a new President and five Vice-Presidents, three of the latter being named for the second consecutive term. The official biographies of each of these officers follow:

CURTIS H. BINGHAM
President-Elect

Curtis H. Bingham, President of Bingham, Walter & Hurry, Inc., Los Angeles, was elected President of the Association as the successor to George A. Newton, Partner, G. H. Walker & Co., St. Louis, Mo. Mr. Bingham has devoted his entire business career to finance and for almost 40 years has been in the investment banking industry.


Curtis H. Bingham

He was born in Rockford, Ill. (1898) and received his B.S. degree from Oregon State College in 1921. Upon graduation he was employed by Southern California Edison to sell to investors the stock of that electric utility company. Two years later he entered the securities underwriting and distributing business in Los Angeles and sold primarily bonds to institutional and individual investors.

In 1933 he organized his own firm, Curtis H. Bingham and Co. in Los Angeles, which in 1940 became Bingham, Walter & Hurry, a partnership subsequently incorporated in 1951.

Mr. Bingham has actively served the securities business at both the national and Group level during the past decade. He has been a Governor of the Association since 1957, was elected a Vice-President for two terms, 1959-61, and served on the following national committees:

Investment Companies Committee, 1953-58.

Group Chairmen's Committee, 1957-58.

Arrangements Committee (Chairman), 1958-59.

Nominating Committee, 1958-59.

Mr. Bingham has held other positions of leadership in the industry; was District Chairman of the Southern California Committee, National Association of Securities Dealers, Inc.; was Governor of the NASD, 1958-60; Chairman of the NASD Finance Committee, 1960; and was Chairman of the California Group of the IBA, 1957-58. He is a past President of the Bond Club of Los Angeles.

His interests transcend the investment business and he gives freely of his time to civic affairs: member and past president of the Oneonta Men's Club of Pasadena; is a past member, Board of Directors, Society for the Prevention of Cruelty to Animals; member of the Board of Directors, National Travelers Aid Society. He is a member of Beta Theta Pi fraternity and Alpha Zeta honorary fraternity.

Mr. Bingham is married to the former Mary Decker of Brazil, Ind., and they reside in South Pasadena, Calif. The Binghams have two married sons, a married daughter and 10 grandchildren, all of whom live in communities close to South Pasadena.

DAVID J. HARRIS
Vice-President

David J. Harris, Partner, Bache & Co., Chicago, was re-elected as a Vice-President of the Association. Following his graduation from the University of Chicago in 1935, Mr. Harris went to work for Sills, Minton & Co.; he became Executive Vice-President in 1944 and President in 1945. He continued as President with its successor organizations, Sills, Fairman & Harris, Inc., and Fairman, Harris & Co., until the latter merged with Bache & Co. in May, 1956. Since then he has been a Resident Partner of Bache & Co. in Chicago.


David J. Harris

Since 1948 Mr. Harris has been active in the Group and national activities of the Association. He served his first term as Vice-President, 1960-61, was a Governor of the Association from 1956-59, and has served on the following national committees:

Education Committee, 1948-51.

Industrial Securities Committee, 1952-55.

Group Chairmen's Committee, 1955-56; Chairman, 1957-59.

Finance Committee, 1956-59.

Membership Committee, 1956-1957.

Nominating Committee, 1958-59.

At the regional level he was Chairman of the Central States Group in 1955-56 and for several years was a member of the Group's Executive Committee. Mr. Harris has held positions of leadership in other organizations in the investment business: Vice-Chairman, District No. 8, National Association of Securities Dealers, 1953-55, and Governor of the Midwest Stock Exchange, 1959 to the present. He has also been a member of the Chicago Board of Trade since 1956. Mr. Harris is on the Board of Directors of the Liberty Loan Corporation and Colonial Acceptance Corporation.

His activities in local civic affairs have included membership on the Lake County District 107 School Board, 1954-57, and chairmanship of the Highland Park Community Chest Drive in 1958. Since 1958 he has been a trustee of the Highland Park Hospital.

Club and fraternity memberships include: Exmoor Country Club, University Club (Chicago), and Delta Kappa Epsilon. His hobbies are golfing and curling during the winter.

Mr. Harris is married to the former Evelyn R. Carr. They have a daughter and two sons and the family lives in Highland Park, Ill.

THOMAS M. JOHNSON
Vice-President

Thomas M. Johnson, President of Johnson, Lane, Space & Co., Inc., Savannah, was re-elected as a Vice-President of the Association. A native of Georgia, Mr. Johnson attended the University of Georgia where he received his B.A. degree in 1921. He then became associated with The Citizens and Southern National Bank in Augusta and later in Savannah, Ga. In 1933 he formed Johnson, Lane, Space & Co., Inc., and has served as President since that time. Mr. Johnson is a director of the following companies:


Thomas M. Johnson

South Atlantic Gas Co. (Savannah).

The Central of Georgia Railway (Savannah).

DeBardeleben Coal Corp. (Birmingham).

Cato Stores (Charlotte, N. C.).

Riverside Mills (Augusta).

Hanna Manufacturing Co. (Athens).

American Art Metals Co. (Atlanta).

Radiation, Inc. (Melbourne, Fla.).

Airpax Electronics, Inc. (Fort Lauderdale).

For more than 25 years, Mr. Johnson has been active in Association activities at both the national and group levels. He served his first term as Vice-President, 1960-61, was Chairman of the Southern Group, 1943-44, and has served on the following national committees:

State and Local Taxation Committee, 1934-38.

Private Placement Committee, 1938-39.

Convention Attendance Committee, 1939-40; 1941-42.

Federal Legislation Committee, 1940-41; 1948-51.

Group Chairmen's Committee, 1943-44.

Public Service Securities Committee, 1953-55.

Public Utility Securities Committee, 1955-60; Chairman, 1957-59.

Nuclear Industry Committee, 1957-59.

Mr. Johnson served as Chairman of the Industrial and Domestic Water Supply Commission in Savannah for a number of years. In 1947 he was awarded the Lucus Trophy for the most outstanding service performed for the city during that year because of his work on this Commission. Governor Vandiver of Georgia appointed him a member of the Georgia State Ports Authority for a three-year term in 1959; he serves the Authority as Chairman of the Finance Committee. For his services to the Georgia Ports Authority he received the 1961 William Washington Gordon Award for Business and Industry.

Down through the years Mr. Johnson has been very active in numerous civic and charitable organizations in the Savannah area: he was Chairman for both the American Red Cross Fund Drive (1945) and the United Community Services (1956-57); since 1957 he has been Treasurer and

Director of the United Community Services. In addition, he is currently serving as President of the Bethesda-Savannah Children's Center, which supervises and administers all child care work in Savannah and Chatham County; member of the Board of the Union Society of Savannah (President, 1948-54); and Chairman of the Finance Committee for the Crippled Children's Society.

Club, professional, and fraternal memberships include: Oglethorpe Club (President, 1945-46); Savannah Yacht & County Club (Commodore, 1953-55); Century Club; Society of Colonial Wars; and Kappa Alpha Fraternity.

WILLIAM T. KEMBLE
Vice-President

William T. Kemble, Partner, Estabrook & Co., Boston, was elected a Vice-President of the Association. A native of Washington, D. C., Mr. Kemble has spent his entire career in the securities business. A member of the Harvard Class of 1934, he returned to Estabrook & Co. in 1933 where he had worked prior to college. He became a partner in the firm in 1951.


William T. Kemble

Active in the affairs of the Association since 1952, Mr. Kemble served as Chairman of the New England Group, 1953-54, Governor 1954-55, and on the following national committees:

Railroad Securities Committee, 1953-1958.

Group Chairmen's Committee, 1953-54.

Savings Bond Committee, 1953-54.

Administrative Review Committee, 1956-57.

Mr. Kemble is a Governor of both the Boston Stock Exchange and the Association of New York Stock Exchange Firms. He serves as a member of the Bank & Finance Committee, New England Council, and is a member of the Boston Chamber of Commerce.

An Incorporator of the Massachusetts General Hospital, he is also a Director of the American Professional Football Association in Boston. Club memberships include: Somerset, Myopia Hunt, and Union Boat Club — all of Boston; and Mid Ocean Club, Bermuda.

He is married to the former Madeleine Powers of Boston. They and their four children live in Wenham, Mass.

JAMES H. LEMON
Vice-President

James H. Lemon, Partner, Johnston, Lemon & Co., Washington, D. C., was elected a Vice-President of the Association. Since his graduation from Princeton in 1925, Mr. Lemon has been affiliated with Johnston, Lemon & Co. and its predecessor organizations. He is Vice-President and Director of Washington Mutual Investors Fund, Inc., and D. C. Paper Mills, Inc.; Chairman of the Board, American Mercury Insurance Co.; and a Director for a number of other corporations.


James H. Lemon

Active in the affairs of the Association since 1942, Mr. Lemon has served as Chairman of the Southeastern Group, 1948-49, Governor, 1951-54, and on the following national committees:

Federal Taxation Committee, 1942-53.

Federal Legislative Committee, 1944-45; 1953-54.

Education Committee, 1945-46.

Group Chairmen's Committee, 1948-49.

Nominating Committee, 1952-53.

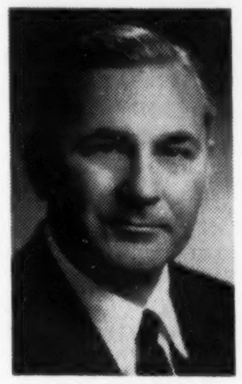
Savings Bond Committee, 1952-54 (Chairman, 1953-54).

Mr. Lemon has been a Director of Children's Hospital in D. C. since 1941 and served as its President from 1948-53. He is also a member of the Federal City Council; Secretary and Trustee, Group Hospitalization, Inc.; and Trustee, Princeton University.

He is married to the former Martha McGehee and they have one son who is in the investment banking business in New York City.

WALTER H. STEEL
Vice-President

Walter H. Steel, Partner, Drexel & Co., New York, was re-elected as a Vice-President of the Association. Mr. Steel is a 1925 graduate of the University of Chicago. He joined Drexel & Co. in 1946 and became a partner the following year. Since 1940 Mr. Steel has been active in Association affairs at both the national and group levels. He served his first term as Vice-President, 1960-61, was Chairman of the New York Group, 1956-57, was a Governor from 1957-60, and has served on the following national committees:


Walter H. Steel

Convention Attendance Committee, 1940-42.

Municipal Securities Committee, 1948-49; 1957-60; (Chairman), 1958-59.

Group Chairmen's Committee, 1956-57.

Membership Committee, 1957-1958.

Federal Securities Acts Committee, 1958-59.

Municipal Division Council Chairmen, 1958-59; Ex Officio, 1959-60.

Research Committee, 1959-60.

Special Committee for Public Information on Municipal Securities (Chairman), 1959-60.

He is a member of the Municipal Bond Club of New York and was its President from 1946-47. In addition, Mr. Steel is a member of the Bond Club and The Wall Street Club in New York, and the Bond Club of Chicago.

His hobby is fishing and he is an active member of the Anglers Club of New York, the Brodhead Fly Fishers, and the Parkside Anglers Association.

The Walter H. Steels live in Morristown, N. J., and have a married daughter and three grandchildren. He is a member of the Board of Trustees of the Morristown Memorial Hospital and has been active in other local civic and charitable affairs for many years.

IBA Convention Nov. 25-30, 1962

The Investment Bankers Association will hold their 51st annual meeting Nov. 25-30, 1962 at the Hollywood Beach Hotel in Hollywood, Fla.

The Association has also announced that the Board of Governors will meet May 9-12 in White Sulphur, and Sept. 19-21 at Santa Barbara.

Are Local Units Able to Finance School Needs?

Over $1,410,000,000 in school bonds were sold in the first six months of 1961 by states and local municipalities. This significant fact and many others are pointed out in a brochure published by the Investment Bankers Association of America. The information contained therein tends to dispel the hue and cry of the Federal Government that the states and local municipalities are not meeting their obligation in fulfilling the classroom needs of our children. The pamphlet also noted that the Federal debt is now about $290 billion and rising, as compared with $66 billion for states and local municipalities.

In its conclusion, the booklet states "one can only conclude, that this report dispels any doubt that Federal aid to education will result in a high degree of Federal control."

Those interested may obtain a copy of this most informative booklet *Federal Aid to Education?* by writing to the Investment Bankers Association of America, 425 Thirteenth St., N. W., Washington 4, D. C.

Report of IBA Municipal Securities Committee

Alan K. Browne, Vice-President of the Bank of America National Trust & Savings Association, San Francisco, presented the following Report to the Convention in his capacity as Chairman of the Municipal Securities Committee.

Sales of new issues of state and municipal bonds during the first 10 months of 1961 aggregated over $6.8 billion. Since the sales of new issues have continued at a high level during November, it appears probable that the volume for the year will set a new record, close to $8 billion. The principal developments and Federal legislation affecting municipal securities since the last Annual Report of this Committee are summarized below.

Alan K. Browne

I
Federal Legislation

(a) Community Facilities Loan Program

The Federal Community Facilities Loan Program, administered by the Housing and Home Finance Agency, authorized under the Housing Amendments of 1955 as a substitute for a program previously administered by the RFC, provides Federal loans to municipalities of community facilities if the financing is not available from other sources on "reasonable terms." The 1955 Act authorized an aggregate of $100 million. In 1960 an additional $50 million was authorized. The Housing Act of 1961 amended the Program to authorize an additional $500 million for Federal loans for any community facilities except schools ($50 million earmarked as available only for loans for urban transportation facilities or equipment). Such loans, except urban transportation loans, may be extended only to municipalities with a population not exceeding 50,000 (or in the case of a community situated in a redevelopment area, with a population not exceeding 150,000). The loans are made at an interest rate determined annually under a formula in the law, which fixed the rate for the fiscal year beginning July 1, 1961 at 3⅝% (or for communities in redevelopment areas at 3⅜%). The law still provides that no financial assistance shall be extended under the program "unless the financial assistance applied for is not otherwise available on reasonable terms."

Eligibility under either of these programs depend on the interest rate which is determined administratively as a "resonable" rate, because municipalities are eligible for a Federal loan under the programs, only if they cannot obtain financing from other sources at that rate. If the interest rate set as "reasonable" by the administrative agencies is too low *in relation to current market rates*, a large volume of municipal financing is unable to obtain financing at that rate from other sources and is eligible under these programs.

In August the IBA submitted to the administrator of the Community Facilities Loan Program a suggested yardstick for establishing "reasonable terms," which would establish the reasonable rate monthly in a realistic relationship to current market rates at a level high enough that only a small proportion of municipal financing would be eligible under the program.

"Reasonable" Criteria Unrealistic

However, the Community Facilities Administrator adopted the following basis for determining whether financing is available from other sources on reasonable terms:

"For a bond issue secured upon the same terms and conditions as the government loan, an interest rate is to be deemed reasonable if it does not exceed 3⅞%, if the loan is repayable over 30 years or more. For shorter terms loans, the 'reasonable' interest rate is to be reduced by ⅛% for each five-year reduction of the length of the loan, provided such interest rate is not less than 3⅝%. If the borrower is located in an area designated as a redevelopment area, the benchmark for reasonable interest rates would be 3⅝%" (i. e., 3⅝% for 30-year or longer maturities or 3⅜% for 20-year or shorter maturities in a redevelopment area).

The rate set as "reasonable" in determining eligibility for a loan under the Federal program is obviously too low in relation to current market rates, noting that 20-year bonds of the U. S. Government (the highest credit on a taxable basis) are presently priced to yield over 4%. We believe that the policy of the Community Facilities Administration is contrary to the intent of the law which specifically provides that the Federal loans may be provided only when the financing is not available from other sources on "reasonable terms."

President Kennedy on Oct. 26 ordered a Federal economy drive and asked agency heads to exercise the maximum care in tightening requirements, postponing the initiation of deferable projects and phasing out any acceleration of spending which was instituted as an anti-recession measure. On Oct. 30 the IBA suggested to the administrator of the program that he could do much to carry out the President's order by restricting eligibility for Federal loans under the program by raising the rate of interest established as the reasonable rate under the program.

Attention focused on this program when all seven bids on $4 million Charleston, W. Va. sewer revenue bonds were rejected on July 31, although the best bid provided a reasonable net interest cost of 3.945%, after a representative of the C. F. A. present at the meeting advised that the funds might be obtained from his agency at a lower rate. The C. F. A. approved the $4 million loan to Charleston on Oct. 19, with the usual requirement that the bonds be advertised again in a financial newspaper of national circulation and an agreement that the C. F. A. will purchase all those bonds for which bids are not received from other investors on "reasonable terms."

It is the policy of C. F. A. to require that bonds be offered in blocks of maturities so that private investors might purchase one or more blocks of the shorter maturities at an interest rate below the reasonable rate based on the maximum maturity. This policy is constructive in making it possible for at least a portion of many issues to be purchased by other investors.

The IBA vigorously opposed the expansion of this program when it was under consideration this year in Congress, through a statement submitted to members of the House Committee on Banking and Currency when the proposal was under consideration by that Committee, through letters addressed to all members of the House immediately prior to consideration of the proposal in the House, and through notice to members regarding the proposal.

It is apparent that, as long as the supposedly "reasonable" rate of interest determining eligibility under the Federal loan program is set at a level too low in relationship to general market rates, the principal effect of the Community Facilities Loan Program will be simply to substitute Federal financing for financing that would otherwise be provided from other sources at rates reasonable in relation to market rates. We vigorously protest this unncessary assumption of private business function by the Federal Government.

The Housing Act of 1961 also amended the Community Facilities Loan Program by adding the following provision:

"Sec. 207. The Administrator is authorized to establish technical advisory services to assist municipalities and other political subdivisions and instrumentalities in the budgeting, financing, planning, and construction of community facilities. There are hereby authorized to be appropriated such sums as may be necessary, together with any fees that may be charged, to cover the cost of such services."

This authorization also provides an unnecessary intrusion of the Federal Government in furnishing professional services which would be provided more properly and more effectively by professional financial advisers. We believe that much advice furnished by representatives of the Federal Government will be designed principally to qualify for assistance under various Federal programs, rather than for the best long-term interests of the community.

IBA Recommendations

We recommend that:

(1) The interest rate determined as "reasonable" in establishing eligibility for Federal loans under the program be fixed at a level in relation to current market rates for comparable maturities and types of securities (general obligations or revenue bonds), which reasonable rate would be higher than the current yield on outstanding obligations of the United States of comparable maturity.

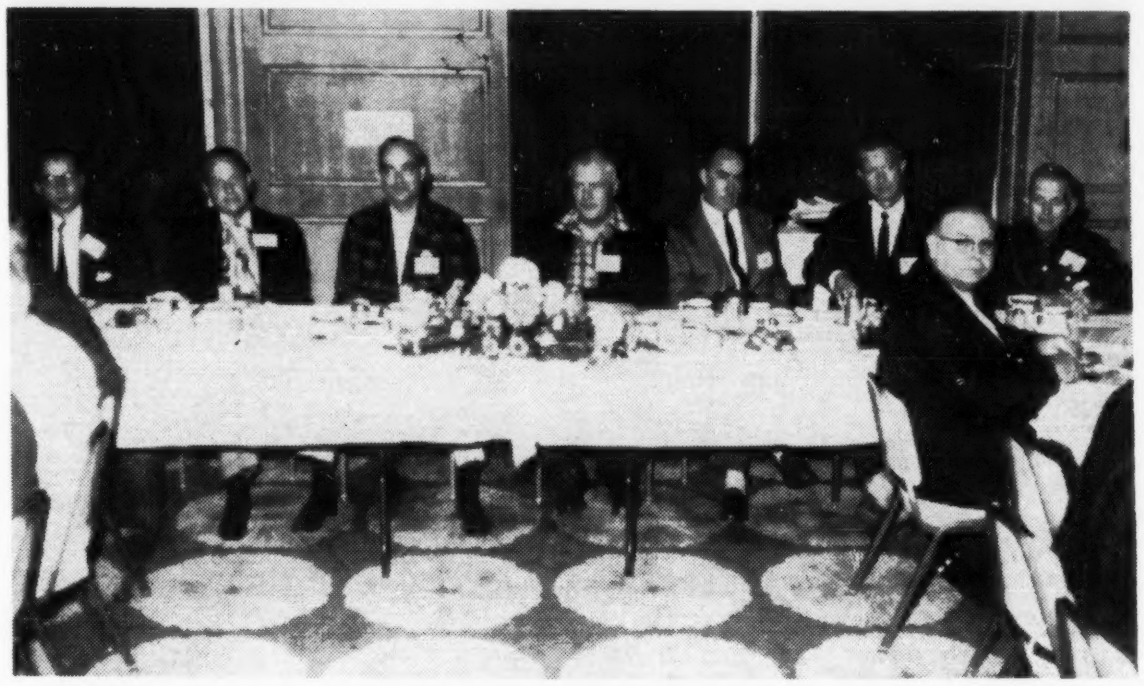
(2) The provisions extending the application of the Community Facilities Loan Program to communities in redevelopment areas under special terms be repealed because they create an unncessary and undesirable duplication with Federal loan and grant programs authorized under the Area Redevelopment Act.

(3) The provision authorizing Federal advisory services to municipalities in budgeting and financing be repealed.

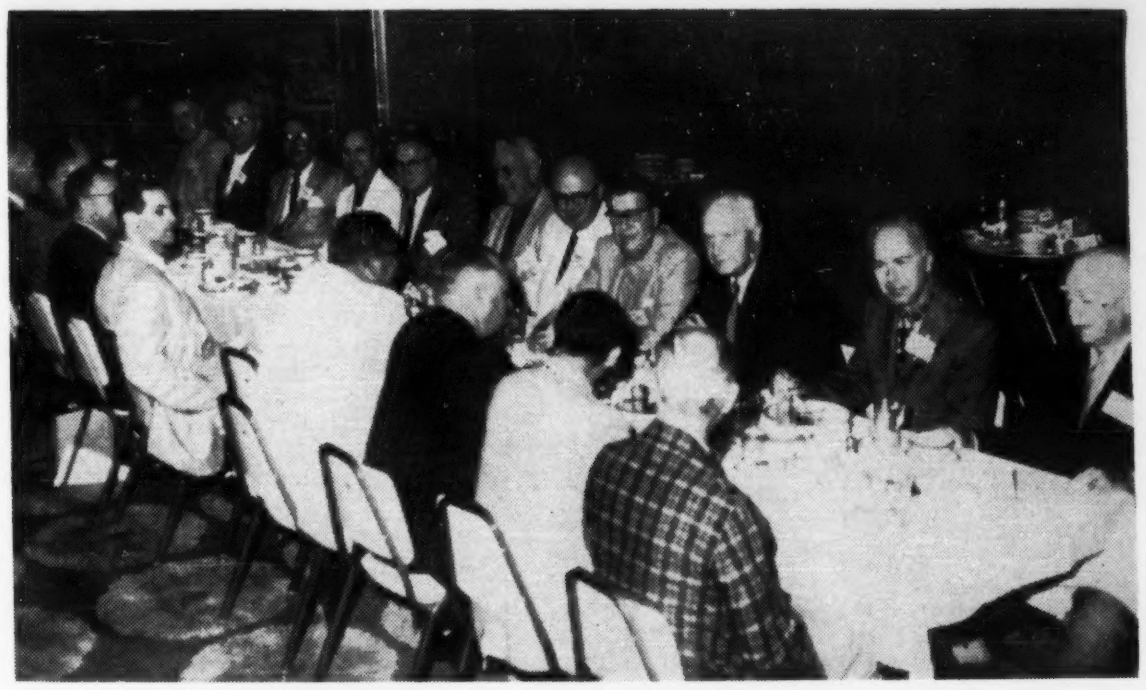
(b) Area Redevelopment Act of 1961

The "Area Redevelopment Act" of 1961 authorizes the following principal programs of Federal financial assistance in areas which qualify as "redevelopment areas":

(1) $100,000,000 in Federal loans in non-rural areas and $100,000,000 in Federal loans in rural areas to aid in financing any project *for industrial or commercial usage*. Such loans may be for a period of up to 25 years and cover



Municipal Securities Committee (Breakfast Meeting)—Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco, Chairman



Municipal Securities Committee—Breakfast Meeting

up to 65% of the cost of the project. At least 10% of the cost must be met by funds supplied by the state or community or a non-profit local organization and at least 5% must be provided by private lending facilities. Such loans will be made if the financial assistance applied for is not otherwise available from private lenders or other Federal agencies at reasonable terms, at an interest rate determined under a formula in the bill which in November, 1961 would have been 4%.

(2) $100,000,000 for loans *for public facilities*. Such loans may have maturities up to 40 years for the full cost of the project and will be made, if the funds requested are not otherwise available on reasonable terms at an interest rate determined annually under a formula in the bill, which presently would be 3⅜%.

(3) $75,000,000 in Federal grants for public facilities if there is little probability that the project could be undertaken without the assistance of such a grant. It would be required that the entity requesting the grant shall contribute to the cost of the project in proportion to its ability to contribute.

APPENDIX A contains a more detailed summary of this law.

(c) Federal Aid to Education—Elementary and Secondary Schools

A bill passed the Senate to authorize over $2 billion in Federal grants over the next three years to assist public elementary and secondary schools, to be used either for construction of school facilities or for teachers' salaries. A similar bill was reported by the House Education Committee but was held up in the Rules Committee. An attempt to bring the bill up for consideration in the House under a special procedure bypassing the Rules Committee failed on Aug. 30 by a vote of 170 to 242. Accordingly, the proposed Federal aid for public elementary and secondary schools was not adopted this year. The existing programs, providing Federal compensation to school districts for burdens imposed by the location of tax-exempt Federal property on which public school children reside or their parents are employed, was extended for two years—after efforts failed to hold up extension of this program unless it was accompanied by the new program of Federal aid.

The IBA has vigorously opposed the proposed new program of Federal aid for public elementary and secondary schools on the basis that educational facilities for elementary and secondary schools are being financed adequately by state and local governments without a new program of Federal assistance. This conclusion seems well supported by the facts that:

(1) About 350,000 new classrooms for elementary and secondary schools were completed during the 5-year period 1957-1961.

(2) The rate of growth in enrollment in public elementary and secondary schools is *decreasing*, official estimates indicating that during the 5-year period 1961-1966 the rate of growth in enrollment will be down 35.1% from the growth rate during the past 5 years.

(3) Sales of new issues of school bonds continue at record levels, with over $350 million of school bonds sold in January, 1961 (the largest amount of school bonds ever sold in a single month) and over $1,410,000,000 of school bonds sold during the first six months of 1961.

A booklet giving essential facts on the question of Federal aid to education in question and answer form has been published by the IBA. Copies have been mailed to member firms and additional copies are available in quantity at a nominal cost. Since this subject is the current national high school debate topic throughout the country, it is suggested that copies of this booklet be given wide distribution.

(d) College Housing

The Federal college housing loan program, administered by the Housing and Home Finance Agency, authorizes loans at an interest rate determined annually under a statutory formula (presently 3⅜%) with maturities up to 50 years unless the financing is available from other sources "upon terms and conditions equally as favorable." When this program was originally authorized in 1950 a revolving fund of $300 million was authorized. This lasted until 1955, but from 1955 through 1960 an additional $1.375 billion was authorized. The Housing Act of 1961 authorizes an additional $1.2 billion over the next four years, bringing the total authorization up to $2.875 billion.

(e) Mass Transportation

Identical bills introduced in the Senate and House this year would provide (a) $75,000,000 in Federal grants for mass transportation planning to states, counties, municipalities and their agencies and instrumentalities and (b) $250,000,000 in Federal loans (not to exceed $100,000,000 in such loans prior to July 1, 1962) to states,

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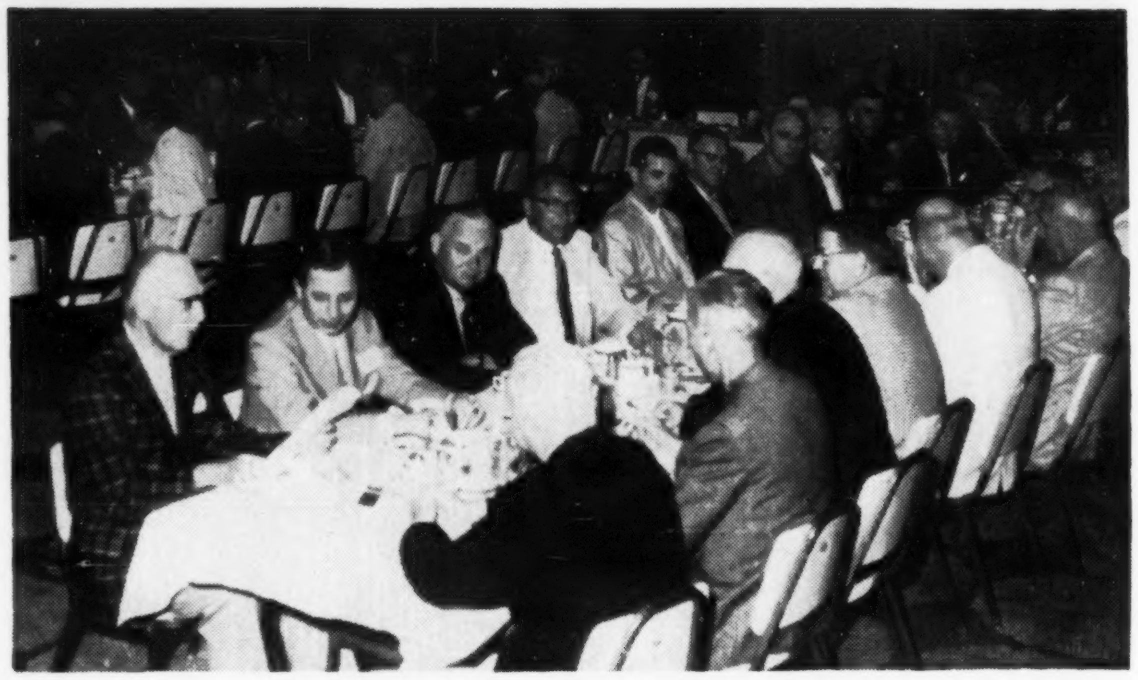

Municipal Securities Committee—Breakfast Meeting

Municipal Securities Committee—Breakfast Meeting

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counties, municipalities and their agencies and instrumentalities to finance the acquisition, construction and improvement of facilities and equipment for use by operation or lease or otherwise in mass transportation service in urban areas and for use in coordinating highway, bus, surface-rail, underground parking and other transportation facilities in such areas. Loans would be made only if the financial assistance were not otherwise available on equally favorable terms at an interest rate determined under a formula in the bill.

H. R. 5721 would authorize, in addition to the grant and loan authority summarized above, Federal guaranty of public transit authority obligations under which the Federal Government would enter into debt service guaranty contracts providing that whenever in any fiscal year the receipts of the public transit authority in connection with the projects financed by the bonds involved, after payment of operating expenses, are not sufficient to make all debt service payments falling due in such year, the Federal Government will pay to such authority an amount equal to one-half the amount which is necessary to make such payments of principal and interest in full. The bill would require that, to be eligible for such guaranty, the bonds be covered by a state or local guaranty providing for payment of an amount equal to the payment by the Federal Government in any fiscal year in which the Federal Government is required to make payment. The aggregate amount of payments which the Federal Government could be required to make in any one fiscal year pursuant to contracts under this section could at no time exceed $50,000,000.

None of these bills passed. However, the Housing Act of 1961 included provisions:

(a) Authorizing $25 million under the urban renewal program for mass transportation demonstration projects which the administrator determines will assist in carrying out urban transportation plans and research, such grants not to be used for major long-term capital improvement, not to exceed two-thirds of the cost of the project.

(b) To authorize grants under the urban planning assistance program for the preparation of comprehensive urban transportation surveys, studies and plans to aid in solving problems of traffic congestion, facilitating the circulation of people and goods in metropolitan and other urban areas and reducing transportation needs.

(c) To authorize $50 million in loans under the Community Facilities Loan Program to states, municipalities, public agencies, and public corporations and commissions to finance the acquisition, construction, and improvement of facilities and equipment for use by operation or lease in mass transportation service in urban areas and for use in coordinating highway, bus, surface-rail, underground parking and other transportation facilities in such areas.

New Transit Revenue Bond Legislation Planned

We are advised that a bill will be introduced at the next session of Congress to provide "The Transit Revenue Bond Guarantee Act." The proposed Act would authorize the Administrator, upon application of a local public transportation agency, to guarantee (by a pledge of the faith and credit of the United States) the payment of interest on and the unpaid balance of the principal of the revenue bonds of such agency in an aggregate principal amount not exceeding $500 million. Requirements for eligibility for a guarantee under the proposed Act would include that revenue bonds (a) be issued for the purpose of financing the construction by a local public transit agency of a mass rapid transit system and may, in addition, be issued to finance the retirement or redemption of outstanding bonds of such an agency; (b) shall bear interest at an average interest rate not to exceed 3¾% with maturity dates not in excess of 50 years and (c) shall be issued under a trust indenture meeting specified requirements. The trust indenture would be required to include provisions satisfactory to the Administrator requiring the local public transit agency to fix and collect rates, rentals or other charges at least sufficient to pay the principal and the interest on the bonds as they become due and payable together with all expenses of operation, maintenance and repair of the system.

The Institute of Public Administration in New York has been commissioned by the Housing and Home Finance Agency and the Department of Commerce to prepare a report on urban transportation problems and their solution. This report also presumably will include recommendations for

Municipal Securities Committee—Breakfast Meeting

Mr. & Mrs. Curtis Bingham, *Bingham, Walter & Hurry, Inc.*, Los Angeles, newly elected President of I. B. A.; Mr. & Mrs. George A. Newton, *G. H. Walker & Co.*, St. Louis, Retiring President

financing urban transportation facilities.

(f) Tax Immunity

No bills were introduced in Congress this year attacking the general tax immunity of state and municipal bonds. A bill was introduced (H. R. 798) to deny tax exemption to the interest on state and municipal bonds (a) issued to finance the construction, equipment or other development of property which is to be operated by one or more nonpublic enterprises and (b) not secured by the general credit of the issuer; but no action was taken on this bill.

The Committee for Economic Development in February of this year issued a statement on "Growth and Taxes" which included a recommendation (with a few individual dissents) to eliminate the exemption for interest on future issues of state and local government securities and to substitute a tax credit for holders of such securities. The C. E. D. proposal assumed that the Federal Government has power to tax interest on municipal bonds and that the credit could be decreased or eliminated at any time. The Subcommittee on Fiscal, Monetary and Debt Management Policy and the Research and Policy Committee of the C. E. D. were responsible for the statement of policy on growth and taxes.

Information regarding the recommendation by the C. E. D. and a summary of the constitutional basis and the importance of the tax immunity of municipal bonds were furnished to all members of this Committee and IBA Group Municipal Securities Committees with the suggestion that they communicate with members of the C. E. D. Subcommittee and Committee to explain the importance of tax immunity of municipal bonds. Copies of subsequent correspondence by members of this Committee indicated that widespread action was taken pursuant to this suggestion.

General articles on tax reform in magazines this year have also included casual recommendations that the tax exemption for municipal bond interest should be eliminated. In every case where such articles have been called to the attention of this Committee, letters have been addressed to the editor explaining the constitutional basis and the importance of the tax immunity of municipal bonds.

Treasury Department's Position

Reports in the press state that Mr. Stanley Surrey, Assistant Secretary of the Treasury for Tax policy, in an address before the American Institute of Certified Public Accountants in Chicago on November 1 stated that the Administration plans to send to Congress in 1962 a much broader program of tax reform, and that the reform bill being prepared in the Treasury generally would broaden the tax base to include income not currently subject to tax.

In connection with this subject, agents of the Internal Revenue Service in at least two areas during the past year have disallowed a portion of the deduction by banks for interest paid on time deposits (savings accounts and certificates of deposit), on the theory that a portion of the interest was on indebtedness incurred or continued to purchase or carry obligations the interest on which is tax exempt. The formula used by the agent consists of totaling all interest (interest from loans, U. S. Treasury obligations, other bonds of every type and municipal bonds) received by the bank during the taxable (calendar) year and then dividing the total by the net tax exempt interest (gross tax exempt interest less premium amortization) to obtain the percentage which tax exempt interest bears to total interest. This percentage is applied to the interest paid on time deposits and the result is then disallowed as an expense item. A ruling on this question has been requested from the Bureau of Internal Revenue in Washington and the ruling is expected soon. This reflects another effort to cut the value of tax immunity by administrative action without legislative or constitutional amendment and should be resisted vigorously if the ruling by the Bureau of Internal Revenue is adverse to the continued complete immunity.

II
Municipal Industrial Financing

A comprehensive report on this subject was approved by this Committee and by the Board of Governors of the IBA in May of this year. Printed copies of that report were mailed to all members of the IBA and many copies have been supplied in response

Continued on page 28

Dr. Milton S. Eisenhower, President, *Johns Hopkins University*, Baltimore; Mr. & Mrs. George A. Newton, *G. H. Walker & Co.*, St. Louis

Dr. Milton S. Eisenhower, President, *Johns Hopkins University*, Baltimore; John J. McCloy, Counsel, *Milbank, Tweed, Hope & Hadley*, and member of the Board of Directors, *Chase Manhattan Bank*, New York

George A. Newton, *G. H. Walker & Co.*, St. Louis, Pinning Presidential Badge on Curtis H. Bingham, *Bingham, Walter & Hurry*, Inc., Los Angeles, Incoming President

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to requests from other interested persons and organizations.

III
Constitutional and Statutory Debt Restrictions

The Advisory Committee on Intergovernmental Relations on Sept. 15 approved a draft report on "State Constitutional and Statutory Restrictions on Local Government Debt." The five basic recommendations in the draft report for state action are as follows:

The Commission believes that the present maze of constitutional and statutory restrictions upon local government borrowing constitutes a serious impediment to effective local self-government in the United States. These restrictions handicap self-reliance of local communities and governments, and impel them toward increased financial dependence on State or Federal Government resources. In many States, present provisions have contributed to complexity and deviousness in local debt operations. The Commission believes that State action to remedy this situation is necessary and urgent.

(1) The Commission recommends that State provisions with respect to long-term borrowing and indebtedness of local governments be comprehensive in their coverage; any conditions they place upon local borrowing power should apply uniformly—or with a well-considered minimum of distinctions—to all types of long-term debt.

(2) The Commission recommends that authority to issue bonds should be legally vested in the governing bodies of local governments, subject to a permissive referendum only on petition, and with participation in any such referendum available to all eligible local voters and the results determined by a simple majority vote on the question.

(3) The Commission recommends the repeal of constitutional and statutory provisions limiting local government debt or debt service by reference to the local base for property taxation.

(4) The Commission recommends that the States consider measures to regulate long-term borrowing of local governments by reference to the net interest cost of prospective bond issues in relation to the currently prevailing interest rate on high quality municipal securities.

(5) The Commission recommends that States make available technical and advisory assistance to local governments with regard to their issuance of long-term debt.

Recommendation 4 suggests that states consider regulating long-term borrowing of local governments by forbidding the sale of bonds at a net interest cost rate above some specified multiple of a reported average yield rate for high-grade municipal securities. The draft report gave the following hypothetical illustration:

> *A state law provides that no local government shall issue bonds at a net interest cost (appropriately computed) which is more than 1.3 times the current yield rate of the highest grade municipal securities. At the time of a particular bond sale, that rate is 3.00%. If the "best" bid would involve a net interest cost of 4.20% or less (1.4 times 3.00%), the award can be made and the sale carried out. But if no bid is this low, all offers must be rejected.*

Recommendation 4 suggests only that states consider this type of regulation. The impact of this type of regulation would depend upon the precise formula adopted in any state. However, we believe that the implications of this type of regulation were not fully considered and we conclude that it is not a desirable way of limiting local debt. The proposed method of regulating local debt would establish an arbitrary prohibition against financing needed, desirable and feasible facilities if the interest cost exceeded the established rate.

Copies of the final report on this subject will be available and we urge all members to obtain copies from the Advisory Commission on Intergovernmental Relations (722 Jackson Place, N. W., Washington, D. C.). We urge all persons concerned with municipal finance to be on the alert for studies or legislative proposals on this subject in their areas so that the dangers in this type of regulation of local debt can be explained and the adoption of such regulation opposed.

IV
Computation on Transactions in Municipal Securities

The Subcommittee on Trading and Cashiering Procedures, under the Chairmanship of Mr. Neal Fulkerson (Bankers Trust Company, New York), with the assistance of Mr. H. F. Dobbin (Bankers Trust Company) and Mr. Charles Gushee (President, The Financial Publishing Company), have prepared recommendations for computation of principal and interest on transactions in municipal securities.

These recommendations, if approved by the Board of Governors, will be printed in pamphlet form and mailed to all members, to be effective with transactions dated Jan. 2, 1962 and on when-issued transactions computed for settlement on or after Jan. 8, 1962. These recommendations should be extremely helpful in obtaining uniform procedures in computations and in providing an explanation of computations in training back-office personnel.

V
Handbook on Fundamentals of Municipal Bonds

Since the Handbook on Fundamentals of Municipal Bonds was published in September, 1959, the first edition of 10,000 copies has been sold. We have now published a revised edition, bringing statistical material and references thereto up to date and over 600 copies of the new edition have been sold.

New Officers: David J. Harris, *Bache & Co.*, Chicago; Thomas M. Johnson, *The Johnson, Lane, Space Corporation*, Savannah; Curtis H. Bingham, *Bingham, Walter & Hurry, Inc.*, Los Angeles; William T. Kemble, *Estabrook & Co.*, Boston; James H. Lemon, *Johnston, Lemon & Co.*, Washington, D. C.; (Walter H. Steel, *Drexel & Co.*, New York, not present in picture, is also an officer)

New Governors: Andrew S. Beaubien, *L. G. Beaubien & Co., Limited*, Montreal; Irving H. Campbell, *Bell, Gouinlock & Company Limited*, Toronto; J. Howard Carlson, *Carl M. Loeb, Rhoades & Co.*, New York; Arthur A. Christophel, *Reinhardt & Gardner*, St. Louis; William H. Claflin, III, *Tucker, Anthony & R. L. Day*, Boston; Milton S. Emrich, *Julien Collins & Company*, Chicago

The pamphlet on Suggestions for Marketing Municipal Bonds at Public Sale, approved by the Committee in 1960, has been well received and over 10,000 copies of it have been distributed.

VI
Subcommittee Reports

Many matters of interest and importance which are not covered in this report are covered in reports of some of the subcommittees, which are as follows:

Subcommittee on Accounting Terminology and Practices.
Financial Advisers Subcommittee.
Special Committee To Study Industrial Aid and Lease-Purchase Financing By States and Political Subdivisions.
Liaison and Bond Sale Procedures Subcommittee.
Liaison Subcommittee to A. B. T. & T. A.
Subcommittee on Metropolitan Area Problems.
Subcommittee on a Municipal Conference.
Subcommittee on Syndicate Operations.
Subcommittee on Trading and Cashiering Procedures.

Respectfully submitted,
MUNICIPAL SECURITIES COMMITTEE

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Cincinnati, Ohio

J. Creighton Riepe
Alex. Brown & Sons
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Philadelphia, Pa.

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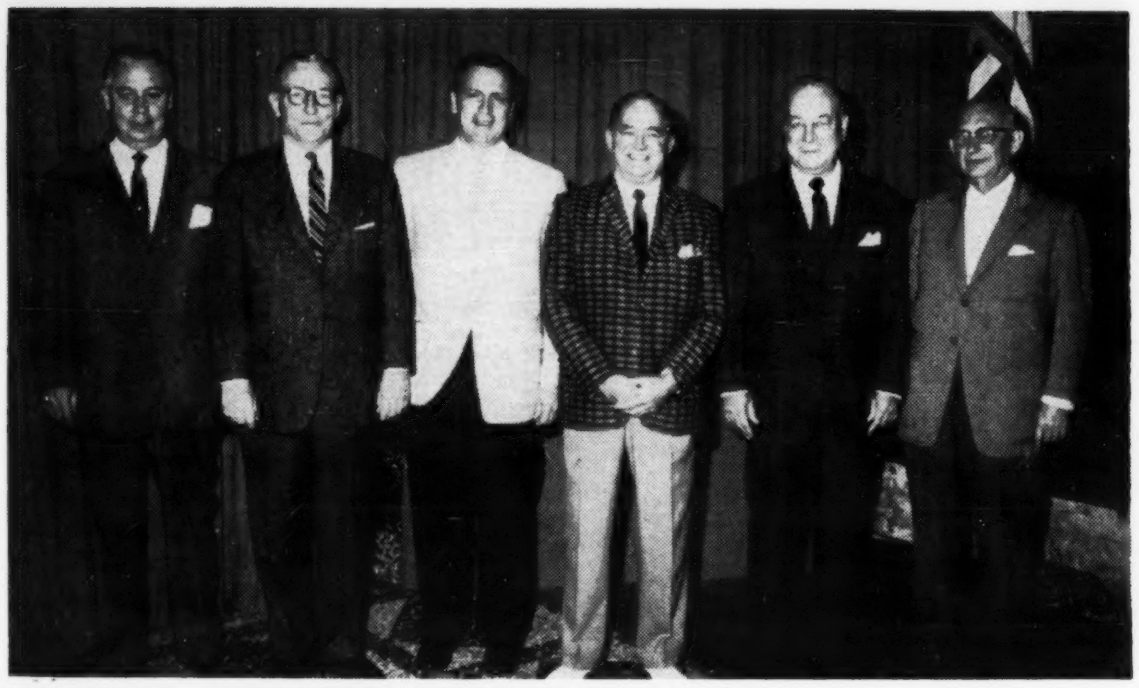

New Governors: Joseph A. Glynn, Jr., *Blewer, Glynn & Co.*, St. Louis; Frank R. Newton, Jr., *Lentz, Newton & Co.*, San Antonio; Robert A. Podesta, *Cruttenden, Podesta & Co.*, Chicago; James M. Powell, *Boettcher and Company*, Denver; J. B. Sanford, Jr., *Hattier & Sanford*, New Orleans; Anthony E. Tomasic, *Thomas & Company*, Pittsburgh

S. Buford Scott, *Scott & Stringfellow*, Richmond, Va.; G. Powell Davis, *Investment Corporation of Virginia*, Norfolk, Va.; Coleman E. Trainor, *Peoples National Bank*, Charlottesville, Va.; T. Russell McConchie, *Peoples National Bank*, Charlottesville, Va.; C. Wiley Grandy, *Investment Corporation of Norfolk*, Norfolk, Va.; William L. Frazier, *Curtiss, House & Co.*, Cleveland

Contnued from page 29

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APPENDIX A
Summary of Area Redevelopment Act (1961) Public Law 87-27

The purpose of the act is to provide Federal assistance to communities, industries, enterprises and individuals in areas of substantial and persistent unemployment and underemployment in planning and financing their economic redevelopment. The act will be administered by an Area Redevelopment Administrator in the Department of Commerce. The Secretary of Commerce shall designate "redevelopment areas" as follows:

(a) Under Section 5(a), those areas within the United States in which he determines upon the basis of standards generally comparable with those set forth in paragraphs (1) and (2), below, that there has existed substantial and persistent unemployment for an extended period of time. There shall be included among the areas so designated any area—

(1) where the Secretary of Labor finds that the rate of unemployment, excluding unemployment due primarily to temporary or seasonal factors, is currently 6% or more and has averaged at least 6% for the qualifying time periods specified in paragraph (2); and

(2) where the Secretary of Labor finds that annual average rate of unemployment has been at least—(A) 50% above the national average for three of the preceding four calendar years; or (B) 75% above the national average for two of the preceding three calendar years; or (C) 100% above the national average of one of the preceding two calendar years.

(b) Under Section 5(b), those areas within the United States which do not meet the requirements set forth in subsection (a) but which he determines are among the highest in numbers and percentages of low-income families, and in which there exists a condition of substantial and persistent unemployment or underemployment. The Secretary shall consider, among other relevant factors, the number of low-income farm families in the various rural areas of the United States, the proportion that such low-income families are of the total farm families of each of such areas, the relationship of the income levels of the families in each such area to the general levels of income in the United States, the extent to which "rural development" projects have previously been located in any such area under programs administered by the Department of Agriculture, the current and prospective employment opportunities in each such area, the availability of manpower in each such area for supplemental employment, the extent of migration out of the area, and the proportion of the population of each such area which has been receiving public assistance from the Federal Government or from the State or States in which such area is located or from any municipality therein.

Section 6 authorizes $100,000,000 in Federal loans for projects in redevelopment areas designated under Section 5(a)

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George A. Newton, *G. H. Walker & Co.*, St. Louis; Herbert H. Land, *du Pont of Canada Limited*, Montreal

Mr. & Mrs. Kurt Grunebaum, *New York Hanseatic Corporation*, New York; Benjamin Peyser, *Newburger, Loeb & Co.*, New York

and $100,000,000 in Federal loans for projects in redevelopment areas designated under Section 5(b) to aid in financing any project for the purchase or development of land and facilities (including, in cases of demonstrated need, machinery and equipment) for industrial or commercial usage. The loans shall not be extended for working capital or to assist establishments relocating from one area to another; but the limitation regarding relocation shall not be construed to prohibit assistance for the expansion of an existing business entity through the establishment of a new branch, affiliate or subsidiary if the Secretary finds that such establishment will not result in an increase in unemployment in the area of original location or in any other area where such entity conducts business operations.

Loans with maturities up to 25 years may be made, if the financial assistance applied for is not otherwise available from private lenders or other Federal agencies on "reasonable terms," at an interest rate determined under a formula in the act (the rate paid by the Secretary on funds obtained from the Secretary of the Treasury, which rate would be not greater than the current average yields on outstanding marketable obligations of the United States of comparable maturities as of the last day of the month preceding the issuance of such obligations, plus ½ of 1% per annum) which in November, 1961 would have been 4%. The Secretary shall not make any loan without a participation unless he determines that the loan cannot be made on a participation basis and unless it is determined that there is a reasonable assurance of repayment. Loans under this section shall not exceed 65% of the aggregate cost to the applicant (excluding all other Federal aid in connection with the undertaking).

At least 10% of the cost must be supplied by the state or a political subdivision thereof, or by a community or area organization which is non-governmental in character, as equity capital or as a loan repayable only after the Federal assistance has been repaid in full and (b) at least 5% of the cost of the project must be supplied by non-governmental sources as equity capital or as a loan repayable only after the Federal financial assistance has been repaid.

Section 7 authorized $100,000,000 in Federal loans to any state, or political subdivision thereof, or private or public non-profit organization or association representing any redevelopment area, to assist in financing public facilities. Such loans with maturities up to 40 years may be made, if not otherwise available on "reasonable terms," at an interest rate determined under a formula in the act (the rate paid by the Secretary on funds obtained from the Secretary of the Treasury, which would be not more than the higher of (i) 2½% or (ii) the average annual interest rate on all interest-bearing obligations of the United States then forming a part of the public debt as computed at the end of the fiscal year next preceding the issuance by the Secretary and adjusted to the nearest ⅛ of 1%, plus ¼ of 1% per annum) which in November, 1961 would be 3⅜%. Such loans could be made only if, among other conditions (a) there is a reasonable expectation of repayment and (b) the project will tend to improve the opportunities in the redevelopment area for the successful establishment or expansion of industrial or commercial plants or facilities.

Section 8 authorized $75,000,000 in Federal grants to any state, or political subdivision thereof, or private or public non-profit organization or association representing any redevelopment area, for public facilities within a redevelopment area, if, among other conditions (a) the project will tend to improve the opportunities in the redevelopment area for the successful establishment or expansion of industrial or commercial plants or facilities, (b) the entity proposes to contribute to the cost of the project in proportion to its ability so to contribute, and (c) the project will fulfill a pressing need of the area and there is little probability that such project can be undertaken without the assistance of a grant under this section.

Section 9 authorizes $4,500,000 to provide technical assistance which would be useful in alleviating conditions of excessive unemployment or underemployment.

Section 16 authorizes $4,500,000 for (a) studies of the size, characteristics, skills, adaptability, occupational potentialities and related aspects of the labor force of any redevelopment area; (2) providing occupational training facilities and services and (c) assisting in setting up apprenticeships and promoting journeymen and other on-the-job training.

Section 17 authorizes $10,000,000 for weekly retraining payments to unemployed or underemployed individuals residing within redevelopment areas who are certified by the Secretary of Labor to be undergoing occupational training or retraining under Section 16 of the act. Such payments shall not exceed 16 weeks and the amount of any such payment for any week shall be equal to the amount of the average weekly unemployment compensation payment (including allowances for dependents when appropriate) payable for a week of total unemployment in the state making such payments.

This act and all authority conferred thereunder shall terminate at the close of June 30, 1965.

Committee Report on Industrial Aid and Lease-Purchase Financing

Monroe V. Poole, President of George B. Gibbons & Co., Inc., New York City, was Chairman of the Special Committee to Study Industrial Aid and Lease-Purchase Financing by States and Political Subdivisions. Its Report follows:

Monroe V. Poole

The basic report of this Committee on municipal industrial financing was submitted at the Spring Meeting of the IBA and was approved by the Board of Governors on May 12, 1961. Printed copies of that report were subsequently mailed to all members of the Association and hundreds of additional copies have been furnished on request to individuals and organizations. This report simply summarizes important developments regarding municipal industrial financing subsequent to the basic report.

Connecticut—Authorized a State Building Commission with powers to insure the repayment of approved mortgages on industrial expansion and development projects. The Authority will insure these projects up to 90% of the cost, to a maximum of $5 million for each project. The 1961 State legislature authorized the issuance of bonds up to $25 million for this purpose.

Delaware — Authorized a State Industrial Building Commission empowered to pledge the faith and credit of the State in the issuance of bonds to aid in financing the construction of buildings for sale or lease to private industries. Outstanding guarantees can not exceed $10 million at any one time, however, and no individual project can be guaranteed over $2 million.

Illinois — Authorized State Industrial Development Authority empowered to issue up to $5 million in bonds to finance the construction or acquisition of industrial plant facilities for lease or sale to private industries in areas of the state that are designated as labor-surplus areas.

Kansas — The Kansas Supreme Court, in a test case, has ruled constitutional a state law permitting cities to issue revenue bonds to finance construction of plants for lease to private industries.

New York — The voters approved, on Nov. 7, an amendment to the State Constitution authorizing the creation of the New York Job Development Authority, and the authorization of $100,000,000 bonds—$50,000,000 general obligation and $50,000,000 revenue bonds.

New York — The Port of New York Authority must pay taxes on a project it built on Teterboro Airport land and leased for 20 years to a private industry, Superior Court Judge Charles W. Broadhurst has ruled. The ruling was made in a suit brought by the Borough of Moonachie, N. J., in which it was contended that the factory building constructed by the Port Authority was not required for air terminal purposes and therefore was not tax-exempt.

Texas—Two separate bills were introduced in the Texas legislature this year which would have authorized Industrial Aid bonds. Both bills were defeated in committee.

Vermont—A new State Industrial Building Authority has been organized. Created by the 1961 Vermont legislature, the new organization is empowered to pledge the credit of the state up to $10 million to guarantee local development agency mortgage loans on industrial plants.

West Virginia — Authorized a State Industrial Authority to promote expansion of industrial activity in economically depressed areas in key parts of the state. The Authority, empowered under the terms of a 1961 State enabling act, will make loans to local industrial development groups from a $2,000,000 fund.

Wisconsin — A bill to permit counties to appropriate funds to non-profit agencies to promote industrial development was enacted in Wisconsin. Through an amendment, Milwaukee County was exempted from the measure.

Attached as Appendix A is a summary of municipal industrial bond issues reported sold or authorized since Jan. 1, 1961.

Respectfully submitted,

SPECIAL COMMITTEE TO STUDY INDUSTRIAL AID AND LEASE-PURCHASE FINANCING BY STATES AND POLITICAL SUBDIVISIONS

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Sterne, Agee & Leach
Birmingham, Ala.

Taylor B. Almon
Almon & McKinney, Inc.
Dallas, Tex.

Elzey G. Burkham, Jr.
G. H. Walker & Co.
St. Louis, Mo.

H. Frank Burkholder
Equitable Securities Corp.
Nashville, Tenn.

John C. Clark
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Winston-Salem, N. C.

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Lexington, Ky.

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San Francisco, Calif.

G. Thomas Yeager III
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Baltimore, Md.

APPENDIX A

The following municipal industrial bonds were reported sold, or authorized (except a few subject to vote) since Jan. 1, 1961:

State—	Number of Issues	Aggregate Amount
Alabama	2	$26,800,000
Arkansas	8	11,318,000
Georgia	1	44,950,000
Kentucky	1	3,700,000
Mississippi	23	7,863,000
Missouri	6	3,665,000
New Mexico	1	2,000,000
Oklahoma	1	2,000,000
Tennessee	8	22,113,000
	51	*$124,409,000

*Three issues account for $85,600,000 of the aggregate amount.

ALABAMA

Amount	Issuer—
$25,000,000	Cherokee
1,800,000	Montgomery
$26,800,000	

ARKANSAS

Amount	Issuer—
$350,000	Benton
125,000	Benton
393,000	Blytheville
2,200,000	Conway
7,000,000	Greenwood
350,000	Lake Village
700,000	North Little Rock
200,000	Polk
$11,318,000	

GEORGIA

Amount	Issuer—
*$44,950,000	Early County

*Authorized, of which $14,950,000 6% bonds will be purchased by Southern Land Timber & Pulp Corp.

KENTUCKY

Amount	Issuer—
*$3,700,000	City of Florence

*Authorized.

MISSISSIPPI

Amount	Issuer—
$175,000	Canton
400,000	Chickasaw School Dist. 3 & 4
133,000	Copiah
1,850,000	Corinth
800,000	Covington County
60,000	Forest
250,000	Fulton
250,000	Grenada
370,000	Hernando
250,000	Itawamba
250,000	Lafayette County School District #4
100,000	Mathiston
80,000	Morton
100,000	Morton
300,000	Noxubee
400,000	Okolona
200,000	Osyka (District)
100,000	Osyka (City)
200,000	Pike
50,000	Ruleville
30,000	Starkville
1,500,000	Tate (Senatobia)
140,000	Terry
425,000	Union S. D. 4 & 5
250,000	Wiggins
$8,663,000	

MISSOURI

Amount	Issuer—
$3,000,000	†Village of Champ
60,000	†El Dorado Springs
300,000	‡Charleston
50,000	‡Monroe City General Obligat'n
100,000	‡Monroe City, Rev.
155,000	§Joplin, Revenue
$3,665,000	

†Approved by State Commission; not voted.
‡Approved and voted.
§Approved by State Commission.

NEW MEXICO

Amount	Issuer—
$2,000,000	City of Clovis

OKLAHOMA

Amount	Issuer—
$2,000,000	State of Oklahoma General Obligat'n

TENNESSEE

Amount	Issuer—
$15,650,000	Bradley
500,000	Fayette
175,000	Goodlettesville
400,000	Haywood
310,000	Hardeman
2,400,000	Lebanon
*2,400,000	Nashville
278,000	
$22,113,000	

*First issue of a much larger authorization.

Report of the Municipal Subcommittee on Syndicate Operations

John W. de Milhau, Executive Officer of the Municipal Bond Division of the Chase Manhattan Bank, New York City, was Chairman of the Municipal Subcommittee on Syndicate Operations. The Report of the Committee follows:

This subcommittee has held several meetings and the Chairman has attempted to keep its membership informed of the more important matters presented to it for discussion. The widespread distribution of the members of this Committee, desirable as it may be, did not permit many opportunities for the majority of this group to sit down together.


John W. de Milhau

This report will consist of two sections. Inasmuch as this Committee was originally entitled the "Proxy" subcommittee the first part will deal with our thoughts and recommendations on this subject. The second part will deal with other important questions referred to this subcommittee for discussion.

The Proxy Problem

We believe that although this problem is far from being completely solved much progress has been made. It is difficult to reach agreement as to the best way to handle all the complex questions that may arise. However, we think that by giving publicity to the duties and responsibilities of those involved we will achieve a better understanding and a more positive approach on the part of those concerned.

The proxy problem has arisen as a result of the formation of syndicates comprised of members located in many different areas of the United States and who do not have an office in the city in which the account manager will hold meetings. We are all well aware of the necessity for the manager to have a definite commitment or other decision on the part of all members prior to the submission of a bid on behalf of the group. The problem arises when the lines of communication between the out-of-town member and the manager do not function properly.

Some of the desired information and its direction of flow may be summarized as follows:

A. From the Manager to the Member

(1) Comment on market conditions.

(2) Specific comments on the issue.

(3) Presale interest from institutions and members.

(4) Consensus of preliminary bidding views and desired spread.

(5) Final bid and offering terms.

(6) Final participation if adjusted.

(7) Members added or dropped from the account.

(8) Allotment of bonds against orders filed.

(9) Any other matters of importance and urgency.

B. From the Member to the Manager

(1) Knowledge of his preliminary price views and indication of any substantial interest.

(2) Indication prior to the final meeting of either a bidding limit or an agreement to accept bid as set by manager and majority present.

(3) Indication of additional underwriting desired, if any.

(4) Filing of subscription during order period.

(5) Arrangement to pick up allotments when ready.

It has become the custom, of necessity, for the managers of accounts with a large membership to request the out-of-town member to arrange to have a proxy represent him so that he may be advised properly of the discussions which will take place. If a proxy is not appointed the manager has no alternative other than to consider that the member is committed to the bid and terms set by the account, and will not be allotted any additional participation.

In order to bring to the attention of the membership many of the details incidental to the relationship of the member, the proxy and the manager, and which should not be overlooked, there are listed below some suggestions concerning each party.

A. Concerning the Manager

(1) Needs complete and final commitment from each member.

(2) Must be able to make bid in lockup meeting.

(3) Is entitled to price views from all members.

(4) Should not call for proxies on small issues.

(5) Should, when possible, take member orders direct.

(6) Should send out syndicate letters as early as possible so suitable proxies may be selected.

(7) Make syndicate letters more convenient so that returned copy will call for indication of proxy selected and amount of additional underwriting desired.

B. Concerning the Proxy

(1) Should be qualified to attend price meetings and willing to act.

(2) Must not act for too many members.

(3) Must communicate meeting results promptly.

(4) Limits given should be observed most closely.

(5) Should call member collect.

(6) Private wire systems should be avoided.

(7) Should not have to make decisions for members.

(8) Even if proxy drops out should remain in meeting if bidding limit of members he is proxy for not yet reached. If unwilling to file orders and pick up allotments should arrange for someone else to do so.

C. Concerning the Member

(1) Make arrangements as far ahead as possible and advise manager who will act as proxy.

(2) Should not have to ask a stranger to serve as proxy.

(3) If operating through proxy branch office should also notify head office.

(4) Be sure to express actual price and profit in sufficient time.

(5) Signify if willing to go with manager and majority or file bid limit. Do not request proxy to make decision for you.

(6) File orders through proxy as soon as possible especially if they must be filed in writing.

(7) If proxy doesn't call you—call him.

(8) Be responsible for expenses or arrange reciprocal business.

(9) Recognize that a proxy is probably busy and in most instances is extending a favor.

(10) Observe discretion and good faith with information from price meetings.

It is obvious from the foregoing that there are many varying factors to be taken into account and that no absolutely fixed procedures are practical. However, there is little question that continuing discussion of this subject has been and will be most helpful in achieving greater understanding of the problems faced and the means of alleviating them.

Questions Referred to the Subcommittee for Discussion

Many interesting questions have been brought to the attention of this subcommittee over the past year. We list below some of those of more general interest with a very brief summary of some of the incidental discussion concerning them. In a number of cases the same questions have also been submitted to other subcommittees so that additional comment may be found in their reports.

(1) Should good faith deposits be returned within 30 days after delivery and elimination of liability?

A good faith deposit should be returned as soon as good business practice dictates that it is no longer required. To extend the time for return beyond that necessary can in many instances cause undue hardship.

(2) Should final settlement of syndicate accounts be made within 90 days of the final sale?

In many instances settlement could be made with syndicate members in a shorter period of time than has taken place. A definite effort should be made to expedite settlement as promptly as possible after payment of expenses.

(3) Please comment on syndicate expenses?

Every effort should be made to hold down expenses to the practical minimum, particularly those connected with advertising. A statement should be furnished the account members which will show clearly and in detail each item of expense.

(4) Please comment on syndicate allocation procedures and the handling of "priority" orders?

Each manager, with the approval of the account, should make the decision on this question and should indicate the manner in which orders will be handled at the time of the setting of the bid and the release terms. It is not practical to have standardized or inflexible rules covering all accounts.

(5) Why cannot the manager arrange simultaneous deliveries of a new issue in every city in which the members have an office?

Although, to a limited extent, deliveries of some issues have been made on a simultaneous nationwide basis, it is not generally practical. The overhead cost is high and a longer than normal period of carry by the banking members of the group is called for. If a local customer pays his broker on the day of original delivery he should lose no interest.

(6) Why doesn't the manager advance on behalf of members of a syndicate any good faith deposit required?

This should be subject to the discretion of the manager. However, this procedure certainly would negate the reasons for such a deposit. Although much bookkeeping and use of funds might be saved, an advance on behalf of a member constitutes a loan of funds and as such would have to be treated and reported in accordance with all the requirements of a loan.

Respectfully submitted,
SUBCOMMITTEE ON SYNDICATE OPERATIONS OF THE MUNICIPAL SECURITIES COMMITTEE

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The First National Bank
Chicago, Ill.

H. Frank Burkholder
Equitable Securities Corp.
Nashville, Tenn.

William H. Hammond
Braun, Bosworth & Co.
Chicago, Ill.

T. Norris Hitchman
Kenower, MacArthur & Co.
Detroit, Mich.

Arnold J. Kocurek
Rauscher, Pierce & Co., Inc.
San Antonio, Tex.

Peter V. N. Philip
W. H. Morton & Co., Inc.
New York, N. Y.

Thomas L. Ray
Mercantile Trust Co.
St. Louis, Mo.

Allen D. Sapp
Schmidt, Roberts & Parke
Philadelphia, Pa.

Brainerd H. Whitbeck
The First Boston Corp.
New York, N. Y.

Edward B. Wulbern
Pierce, Carrison, Wulbern, Inc.
Jacksonville, Fla.

Victor H. Zahner
Zahner & Co.
Kansas City, Mo.

Report of the IBA Liaison and Bond Sale Procedures Subcommittee

Walter W. Craigie, Partner in F. W. Craigie & Co., Richmond, Va., submitted the following Report of the Liasion and Bond Sale Procedures Subcommittee, of which he was Chairman:

Numerous changes in bond sales procedures are proposed from time to time and are referred initially to this Subcommittee for consideration. The attitude of this Subcommittee has been that any change in established procedures should be recommended only after careful consideration of all implications for the issuer, the underwriter and investors, but that there should be no reluctance to depart from established procedures when a proposed change will be constructive and helpful in the marketing of municipal bonds.

Walter W. Craigie

(1) Denominations

There have been numerous suggestions in recent years, particularly by large institutional investors, that municipal bonds be made available in $5,000 denominations, instead of the usual $1,000 denominations. For holders of large amounts of bonds, the physical bulk of bonds in $1,000 denominations creates a storage problem and the task of clipping coupons from bonds in $1,000 denominations is time consuming and expensive. With about $70 billion of municipal bonds presently outstanding and the volume of municipal financing continuing to increase, it is important to provide any feature which would lessen a deterrent and add an attraction for large investors in such bonds. Five thousand denominations would reduce by 80% the bulk of bonds and the task of clipping coupons from coupon bonds in $1,000 denominations.

On the other hand, it appears essential that the market for municipal bonds be broadened to include many investors who may want to invest in units smaller than $5,000. For this reason, we conclude that it would be unwise to recommend that municipal bonds be issued only in $5,000 denominations, even in large issues.

Since $5,000 denominations in municipal bonds would be a feature attractive to many investors, we recommend that:

(1) Where controlling constitutional and statutory provisions permit, and where otherwise practical and possible, issuers of municipal bonds include in the invitation for bids a provision requiring bidders (and issuers of municipal bonds sold in negotiated transactions permit the purchasing underwriter) to specify whether the issue shall be printed and delivered in denominations only of $5,000 or in denominations only of $1,000.

(2) In States where constitutional or statutory provisions require that municipal bonds be issued only in $1,000 denominations, organizations interested in municipal financing cooperate in efforts to obtain the necessary amendments to permit the issuance of such bonds in $5,000 denominations as well as $1,000 denominations.

There may be difficulties in providing for $5,000 denominations in certain issues and it obviously is not expected that provision will be made for $5,000 denominations where the problems are insurmountable.

Another approach to this problem is the possibility of making municipal bonds freely convertible (a) in denominations of $1,000 or any whole multiple thereof and (b) as coupon bonds or to fully registered for principal and interest. These features are very attractive to many investors, but they pose some problems, one of the principal of which is the expense which many investors and issuers are unwilling to assume. The City of Philadelphia recently has provided that (a) its coupon bearer bonds may be freely exchanged for fully registered bonds in the denomination of $1,000 or any whole multiple thereof and (b) that fully registered bonds may be exchanged for coupon bearer bonds of $1,000 denomination—at the expense of the city. The experience in Philadelphia will be helpful in further consideration of this approach.

(2) Award of Municipal Bonds at Public Sale

In 1960 this Subcommittee recommended, and the Municipal Securities Committee adopted and the IBA Board of Governors approved, a resolution urging issuers of municipal bonds to determine promptly after receipt of bids whether a bid will be acepted and, if a bid is accepted, to make a prompt written award of the bonds to the successful bidder. This same resolution was adopted by the Board of Governors of the Municipal Forum of New York in February, 1961, by the Municipal Finance Officers Association at its meeting in May, 1961 and by the Local Government Law Section of the American Bar Association at its meeting in August, 1961.

(3) Delivery of Municipal Bonds

In 1960 this Subcommittee recommended, and the Municipal Securities Committee adopted and the IBA Board of Governors approved, a resolution that the contract between the issuer and the winning bidder for the sale of municipal bonds advertised for public bids should obligate the seller to deliver the bonds by a specific date (preferably not later than 30 lays after the award of the bonds) and should grant the winning bidder an option to cancel his obligation and to receive prompt refund of his good faith deposit check if delivery is not made by the specified date.

The resolution also provided that the issuer should give to the winning bidder at least seven days advance notice of the time and date of delivery and urged all issuers, attorneys and investment bankers to make these obligations as to delivery and advance notice thereof terms of the contract, between the issuer and the winning bidder for the sale of municipal bonds advertised for public bids, by specific provisions in the notice of sale (and in the bid form where the terms of the contract are established by the bid form).

This resolution was also adopted by the Board of Governors of the Municipal Forum this year. It was also adopted by the M.F.O.A. with the addition, to the provision with respect to the option of the winning bidder to cancel if delivery is not made by the specified date, of the qualification "save and except a delay occasioned by circumstances beyond the control of the issuer." The Local Government Law Section of the American Bar Association approved the report of its Committee for Liaison with the IBA, recommending that each member of the Section give consideration to the provisions of this resolution and take such action as he may deem appropriate to protect the rights of the winning bidder and the issuer.

(4) Supplemental Coupons

In 1960 this Subcommittee submitted a report on Supplemental Coupons, adopted by the Municipal Securities Committee and approved by the IBA Board of Governors, concluding with recommendations that:

(1) Impractical statutory provisions or bidding requirements, which necessitate the use of supplemental coupons, be changed where possible so that bids can be submitted on a regular basis without the necessity for using supplemental coupons.

(2) There be included in notices of sale or bid forms a specific statement whether supplemental coupons will be permitted, so that all bidders will be bidding on the same basis.

The Board of Governors of the Municipal Forum of New York on February 24, 1961 adopted a resolution to the same effect, as follows:

"RESOLVED, that in order to avoid uncertainty on the part of bidders for municipal bonds, it is desirable for issuers to specify whether or not bids providing for supplemental coupons will be acceptable, and for this purpose it is recommended that issuers include in their notice of sale a provision similar in form to one of the following sentences:

(1) "Only one coupon will be attached to each bond for each installment of interest thereon, and bids providing for additional or supplemental coupons will be rejected.

(2) "Bids may specify that the interest payable for any period prior to maturity will be represented in part by separate coupons designated as additional or supplemental coupons."

The resolution of the Municipal Forum was approved by the Local Government Law Section of the American Bar Association and by the Executive Board of the M.F.O.A.

(5) Other Matters Referred to Subcommittee

Other matters referred to this Subcommittee but not yet considered by it include the following:

(a) What minimum amount of good faith deposits should be required by bidders, based on a percentage of par value of the issue?

(b) When multi-purpose bonds are sold as separate issues at the same time and same place, should they be awarded individually or on an all-or-none basis?

(c) Do requirements for "unconditional bids" in notices of sale have detrimental effects on bids by forcing bidders to accept unfavorable conditions?

(d) What financial responsibility should be required of bidders on municipal bond issues?

(6) Liaison Meetings

Joint meetings of liaison committees of the Municipal Finance Officers Association, the Local Government Law Section of the American Bar Association, the Municipal Forum of New York and the IBA have been held this year, as in recent past years, at the annual meetings of the M.F.O.A., the American Bar Association and the IBA. We take this opportunity to express our sincere appreciation to the representatives of the other organizations and to the officers and governing bodies of those organizations for their cooperation throughout the year in consideration of recommendations to facilitate sound municipal financing.

Respectfully submitted,

LIAISON AND BOND SALE PROCEDURES SUBCOMMITTEE

Walter W. Craigie, Chairman
F. W. Craigie & Co.
Richmond, Va.

Russell M. Ergood, Jr.
Stroud & Co., Inc.
Philadelphia, Pa.

Lloyd B. Hatcher
White, Weld & Co.
New York, N. Y.

Cushman McGee
R. W. Pressprich & Co.
New York, N. Y.

Richard Morey
A. G. Edwards & Sons
St. Louis, Mo.

Delmont K. Pfeffer
First National City Bank
New York, N. Y.

Walter H. Steel
Drexel & Co.
New York, N. Y.

George B. Wendt
First National Bank of Chicago
Chicago, Ill.

Alan K. Browne
Bank of America N. T. & S. A.
San Francisco, Calif.

Report of Subcommittee On Trading and Cashiering Procedures

W. Neal Fulkerson, Jr., Vice-President in Charge of the Municipal Bond Department of the Bankers Trust Co., New York City, was Chairman of the Municipal Subcommittee on Trading and Cashiering Procedures. Its Report follows:

During the current year the Subcommittee has been concerned with two subjects of importance to our business.

(1) Recommendations for Computation of Principal and Interest on Transactions in Municipal Securities:

The recommendations adopted by the Municipal Securities Committee Nov. 28, 1960, and approved by the Board of Governors providing for purchase and sale invoices for trades in municipal securities to be figured to three decimal places, instead of six as was formerly done, have been in effect since Jan. 1. For several weeks following this effective date there were numerous instances where discrepancies resulted in figuring invoices because different methods of computing basis prices which had been in general use failed to produce uniform results in some cases when carried to only three decimal places.

W. Neal Fulkerson, Jr.

In order to eliminate these discrepancies the Subcommittee appointed a group of senior operations personnel from major dealer and dealer-bank firms to explore the problem thoroughly and submit recommendations for various methods of figuring which would always produce identical results. This group received excellent cooperation from Mr. Charles H. Gushee, President of the Financial Publishing Company. The Group's recommendations were approved and released to the IBA membership on March 31 and have apparently been effective in producing uniform figuring results.

Since it seemed advisable to have available to our members additional recommendations to cover most all of the usual problems encountered in figuring municipal transactions, the Subcommittee has prepared a more comprehensive summary of suggested methods. This material was submitted for review and comment to members of the Board of Governors and the Municipal Securities Committee under date of September 28. If approved, the recommendations will be distributed to the membership in pamphlet form.

(2) Counterfeit or Forged Municipal Securities:

Early this year it was disclosed that a substantial amount of counterfeit Ohio Turnpike Authority bonds as well as bonds of a corporate issue had turned up in the market. This added to the growing concern among issuers, dealers and investors that our rapidly expanding volume of municipal securities might become a more attractive field for counterfeiters and forgers. The Subcommittee was requested to review the problem and consider revising or bringing up-to-date a report issued by a special committee in 1934.

Since the subject was also being considered by a committee of the Municipal Forum of New York our Subcommittee agreed to work jointly with this group in a review of the problem. Our study is being conducted under two general approaches to the subject — first, a possible standard of specifications for printing municipal bonds which will provide maximum practical security at reasonable cost; and second, a brief guide for personnel handling municipal bonds which will assist them in recognizing counterfeit securities.

In our work so far we have consulted with many interested parties including state and local officials, municipal bond attorneys, indemnity companies, bank note companies and commercial banks. The Municipal Finance Officers Association is greatly interested in the problem and will undoubtedly work with us through the respective liason committees when final recommendations are proposed. On October 6 we submitted to groups of municipal bond attorneys and bank note companies a suggested set of specifications for review and comment. It is our hope that a final report may be issued early next year.

The Subcommittee also has been asked to consider the practice of dealers offering two or more issues of bonds as an all-or-none package at a single price. The Subcommittee has not as yet had an opportunity to consider that question.

Respectfully submitted,

MUNICIPAL SUBCOMMITTEE ON TRADING AND CASHIERING PROCEDURES

W. Neil Fulkerson, Jr., Chairman
Bankers Trust Co.
New York, N. Y.

O. V. Cecil
Merrill Lynch, Pierce, Fenner & Smith Inc.
New York, N. Y.

William G. Harding
Coffin & Burr, Inc.
Boston, Mass.

Lloyd B. Hatcher
White, Weld & Co.
New York, N. Y.

David T. Miralia
Kuhn, Loeb & Co.
New York, N. Y.

William F. Morgan
Blyth & Co., Inc.
New York, N. Y.

Robert G. Davis
Piper, Jaffray & Hopwood
Minneapolis, Minn.

F. Don Farrell
City National Bank & Trust Co.
Kansas City, Mo.

Arthur E. Kirtley
The First Boston Corp.
Chicago, Ill.

Edward D. McGrew
The Northern Trust Co.
Chicago, Ill.

Russell E. Siefert
Stern Brothers & Co.
Kansas City, Mo.

Report of Subcommittee on Liaison With the ABTTA

William F. Morgan, Vice-President of Blyth & Co., Inc., New York City, was Chairman of the Subcommittee on Liaison with the American Bridge, Tunnel and Turnpike Association and reported to the Convention as follows:

The Subcommittee appointed by Municipal Committee Chairman Alan K. Browne for liaison with the American Bridge Tunnel & Turnpike Association (hereinafter sometimes called the ABTTA) has had a relatively uneventful year. This position, to a large extent, has been due to factors over which neither the Committee or the ABTTA has had control and includes the following:

W. F. Morgan

(a) The ABTTA for a substantial portion of the year had no active executive secretary (for approximately six months of the current year).

(b) The ABTTA moved its Executive Office to Washington earlier this year with subsequent difficulties of organization.

On Oct. 19, 1961 the Subcommittee had a luncheon meeting with President Frank J. Horty, Vice-President John Pershing and Executive Secretary W. A. Rusch of the ABTTA in New York to discuss means of improving liaison with the Association. At this meeting, plans of the ABTTA for the future, changes with respect to its objectives, and its convention in Philadelphia on Nov. 12, through 17 were discussed thoroughly. The meeting was friendly in every respect and plans, methods, and hopes for improving liaison were considered by those in attendance.

The 29th Annual Convention of the ABTTA in Philadelphia was attended by three members of the Subcommittee. They attended business and committee meetings of the ABTTA in order to evidence the interest of the IBA in the activities of the Association. At this meeting a plan was worked out whereby the IBA Subcommittee will assist the ABTTA in its efforts to secure improved and additional use of standardized interim reporting for toll road projects.

Mr. John Pershing, President-Elect of the ABTTA for the year 1961-62, is well acquainted with investment banking activities and is aware of the wish of the IBA to cooperate on matters of mutual interest. The New Executive Secretary of the Association also appears to appreciate the value of closer liaison of the two organizations.

Accordingly, the Subcommittee feels that the outlook is favorable for improved liaison with the ABTTA during the coming year.

Respectfully submitted,

MUNICIPAL SUBCOMMITTEE ON LIAISON WITH THE ABTTA

W. F. Morgan, Chairman
Blyth & Co., Inc.
New York, N. Y.

Winthrop S. Curvin
Smith, Barney & Co.
New York, N. Y.

Walter W. Friend, Jr.
R. W. Pressprich & Co.
New York, N. Y.

George J. Gruner
John Nuveen & Co.
New York, N. Y.

George T. Ragsdale
Lehman Brothers
New York, N. Y.

Walter H. Steel
Drexel & Co.
New York, N. Y.

Report of Subcommittee on Financial Advisors For Municipalities

William C. Jackson, Jr., President of First Southwest Co., Dallas, as Chairman of the group, submitted the following Report of the Subcommittee on Financial Advisors for Municipalities.

Municipalities considering financing might save substantial amounts of money and avoid serious problems by obtaining expert financial advice. Such advice is available for the smallest municipalities, which need assistance on elementary planning and basic procedures, as well as the largest municipalities, which need highly specialized advice on interest rates and market conditions.

W. C. Jackson, Jr.

Expert financial advice should be obtained from an **investment banker.** Not only is he best qualified on matters such as current market conditions and interest rates, but he is most familiar with the requirements of various types of investors as to maturities, rates, options, and other pertinent facts which will result in the municipality receiving the best possible bids on the securities to be sold. Just as an engineer is employed to prepare the engineering surveys, and an attorney is employed to prepare the legal proceedings and render a market opinion, an investment banker should be employed as early as possible to provide sound financial advice.

Some of the important functions of a financial advisor include: making a survey of the financial resources of the municipality; recommendation of a plan of financing designed to obtain the needed funds on the most favorable basis; the selection of a date when the market is favorable for receiving bids; the preparation of the Notice of Sale to include all information needed by bidders; the preparation of a Prospectus to include all information expected by bidders and investors; assistance in the tabulation and comparison of bids; and arranging for the printing and delivery of the bonds.

Financial advisory service for municipalities is usually provided under one of the following two arrangements:

(1) For continued counseling on financial matters not limited to any particular financing — on a retainer basis. Counseling on this basis might involve matters other than the issuance of bonds, such as tax rates, utility rates, budgets, charter provisions, or a program for the investment of municipal funds. The compensation for this type of service might be a fixed amount, an annual retainer, or, if the issuance of bonds is involved, a per bond charge.

(2) For a particular financing, where the bonds will be advertised for bid at public sale, or where the bonds will be sold on a negotiated basis to someone other than the financial advisor, the advisor will be compensated according to the extent of the services to be rendered, taking into account the type of bond and size of the issue.

Under either of the above arrangements, the compensation to be paid the financial advisor may be made to include reimbursement of various expenses, such as cost of reports of engineers and fees of the attorney **engaged by the issuer** to perform legal services in connection with the issuance and/or approval of the bonds. In every instance, **bond counsel should be engaged by the issuer** and named in the financial advisory contract.

Respectfully submitted,

SUBCOMMITTEE ON FINANCIAL ADVISORS FOR MUNICIPALITIES

William C. Jackson, Jr., Chairman
First Southwest Co.
Dallas, Tex.

Frank C. Carr
John Nuveen & Co.
Chicago, Ill.

Sidney J. Mohr, Jr.
Thornton, Mohr and Farish, Inc.
Montgomery, Ala.

Donald W. Moulton
R. H. Moulton & Company,
Los Angeles, Calif.

George T. Ragsdale
Lehman Brothers
New York, N. Y.

Joseph Refsnes
Refsnes, Ely, Beck & Co.
Phoenix, Ariz.

Walter H. Steel
Drexel & Co.
New York, N. Y.

Report of Municipal Conference Subcommittee

Russell M. Ergood, Jr., Vice-President of Stroud & Co., Inc., Philadelphia, in his capacity as Chairman of the Municipal Conference Subcommittee, advised the Convention as follows:

The Municipal Conference committee was charged with the task of studying the necessity of an annual I.B.A. Municipal Conference where more time could be made available for more of the municipal people to discuss and study the many more problems created by the tremendous increase in volume in the field of Municipal Finance today. In the last ten years, the volume of new issues of municipal bonds has increased from approximately $3,278,000,000 to $7,900,000,000.

R. M. Ergood, Jr.

Our committee is composed of capable representatives of our industry representing large and small dealers from various sections of the country. In fact, the geographical coverage of this committee is from coast to coast and the Great Lakes to the Gulf. This was not just by good fortune but by design because the problem which we were given to work out concerns everyone in this great land of ours interested and involved in municipal finance.

After thoroughly sampling many opinions in various sections of the country, we found that most everyone was greatly in favor of having this Conference provided, however, it was held completely under the I.B.A. umbrella. It also came to light that many members of the I.B.A. who are interested in municipal finance have been unable to send their municipal men to the convention due to the limitation on the total number permitted to attend from an individual firm. In most all of these cases, these firms would send representatives to an I.B.A. Municipal Conference. It is also interesting to note that the Executive Committee of the Texas group of the I.B.A. passed a resolution strongly supporting the idea of a Municipal Conference. These reactions were not at all surprising as the entire committee was strongly in favor of this Conference. With this overwhelming national acceptance, we moved into the questions of where, when and how?

The where, when and how situations were more complex due to the fact that certain conflicts had to be circumvented and worked out. We are thoroughly aware that this Conference cannot and will not interfere in any way with any of the I.B.A. functions. This Conference will also be financially self-supporting.

After careful study, our committee feels that a two-day seminar should be held on Friday and Saturday prior to the start of the regular I.B.A. Convention in Florida. This seminar could close with the Municipal Forum on Sunday afternoon. Those people who are interested in municipal securities, who are qualified to attend the convention, can continue their stay when the regular convention starts Sunday afternoon and those who would be present for the Conference only would thereafter not be a part of the convention. This plan would supplement the existing setup and give municipal representation of the majority of I.B.A. firms and not the minority, thus enabling a broader undertaking of national problems through greater geographic scope. After we have had our first Municipal Conference prior to the annual I.B.A. Convention and the many benefits proven, it is our recommendation to make it an annual affair.

After realizing the benefits that will come out of this Conference, it is likely that various I.B.A. groups throughout the country will want to host a Municipal Conference so that from year to year it would take place in different geographical areas. Such Conferences would, of course be open to all I.B.A. members but appeal to the municipal element. The Conference could be one or two days with regular programs that would encourage participation and expression of individual opinions. In all probability, this would create greater grass-root interest and participation.

Therefore, our committee recommends:

(1) The first Annual Municipal Conference be held prior to the Annual Convention in Florida.

(2) Subsequent Annual Conferences can either be held at Florida or under the auspices of the various I.B.A. groups. It is recommended that this type of Conference be referred to the Group Chairman Committee.

(3) In order to implement the First Annual Municipal Conference, our committee offers its services toward this objective, and it is further recommended that an Annual Conference Committee be appointed by the Chairman of the Municipal Securities Committee.

The problems of our fifty states and their laws plus local customs and usages of the municipal bond business, and better communications between all segments of our business is important. An I.B.A. Municipal Conference can and will play a big part in solving these problems.

On behalf of the members of our committee, it has been a pleasure to serve you.

Respectfully submitted,

MUNICIPAL CONFERENCE SUBCOMMITTEE OF THE MUNICIPAL SECURITIES COMMITTEE

Russell M. Ergood, Jr., Chairman
Stroud & Co., Inc.
Philadelphia, Pa.

Ernest J. Altgelt, Jr.
Harris Trust & Savings Bank
New York, N. Y.

E. William Darmstatter
Stifel, Nicolaus & Co., Inc.
St. Louis, Mo.

Harvey J. Franklin
Merrill Lynch, Pierce, Fenner & Smith Inc.
San Francisco, Calif.

Arthur S. Friend
Folger, Nolan, Fleming-W. B. Hibbs & Co., Inc.
Washington, D. C.

Elmer G. Hassman
A. G. Becker & Co., Inc.
Chicago, Ill.

Robert E. Moroney
Moroney, Beissner & Co.
Houston, Tex.

Logan V. Pratt
R. S. Dickson & Co.
Charlotte, N. C.

Gordon Reis, Jr.
Seasongood & Mayer
Cincinnati, Ohio

Fred D. Stone, Jr.
The Marine Trust Co. of Western New York
New York, N. Y.

Victor H. Zahner
Zahner & Co.
Kansas City, Mo.

Subcommittee's Report on Metropolitan Area Problems

Orlando S. Brewer, Partner, Phelps, Fenn & Co., New York City, in the role of Chairman of the Subcommittee on Metropolitan Area Problems, submitted accompanying Report to the Convention:

In recent years a large number of studies have been conducted seeking a solution to the metropolitan area problems of transportation, schooling, water, sewers and a multitude of other services required by mushrooming communities dotting the nation. Many of these problems can be attributed to the metropolitan areas spreading beyond the political boundaries of the cities which form their base. These problems are further magnified when one takes into consideration the enigma that is taking place in the migration of the urban to the suburban and the suburban to the urban. It is apparent that no easy solution exists. However, in seeking a remedy three general problems which invariably will be considered are: (1) the appropriate governmental unit to furnish the facility or service, (2) the division of political authority among the various governmental units within the area, and (3) the means of financing the facilities or services.

Orlando S. Brewer

Five general approaches determining the appropriate unit to provide area-wide services have been proposed.

(1) A special authority or district to deal on a regional basis with a single or limited function such as rapid transit or water supply (for example, the New York Port Authority and the Metropolitan Water District of Southern California).

(2) A metropolitan federation organized on a regional basis as a new governmental entity, to which the various local governmental units within the area surrender authority to deal with specified functions (for example, the Municipality of Metropolitan Toronto).

(3) A shift of specified functions to an area-wide governmental entity which encompasses the entire area (for example, Dade County, Florida).

(4) Annexation or consolidation of entities.

(5) Joint exercise of powers through contractual arrangements for services.

This report does not propose to cover all of the developments regarding metropolitan area problems, but it includes simply a summary of some of the principal developments illustrative of the problems involved and the solutions suggested.

CALIFORNIA

California population explosion poses many problems. A recent study by the Governor's Commission of California for Metropolitan problems brought to light various and sundry problems that are now plaguing the state and will continue to do so in the near and distant future as a result of this state's population explosion. California today has 15½ million people. Almost 14 million, or close to 90% of this population, live in one or another of nine metropolitan areas. The number of cities has increased to 368, but in spite of this, a tremendous number of the people living in metropolitan areas do not live within incorporated communities. The metropolitan community — millions of people and their daily living activities — has expanded beyond municipal boundaries, and in several cases, has crossed boundaries. Half of the metropolitan communities in the state include two or more counties. In short, there now exist area-wide complexes with wide-area problems, and needs which are beyond the capacity of one or a few of local units of government to solve.

These area-wide problems are acute and are mounting with population increases. It is estimated that California's population increases by 1,500 people a day, that each year one half million people are added. If this rate of increase continues, California will meet and exceed New York State as the most populous state in the nation by 1962. In common with national trends 85% of this growth occurs in metropolitan areas. By 1980 California will have an estimated 30 million persons; about 28 million will live in one metropolitan area or another.

The Commission reported there are a number of problems requiring treatment and solution on an area-wide basis. These problems include regional planning; metropolitan transportation; pollution of the water and air; regional and interregional water supply and distribution; inequities in taxes and level of services throughout a metropolitan area; inequities aggravated by complexities in local government; and the loss of political control by the citizen. The report pointed out that there is a dramatic and often unsuspected variation between cost of services and the level of services received in the same metropolitan area. It was found that many suburban communities in a metropolitan area were paying much more for fire protection, water, sanitation, etc. than residents of a central city and these same residents were not receiving the quality of service as their city brothers. Further complicating the area-wide relationships between services and revenues in metropolitan areas is the great number of independent and overlapping local government units. City incorporations to promote special economic interests have been cited, plus the problem created by over 2,000 independent governing bodies now functioning in California's nine metropolitan areas.

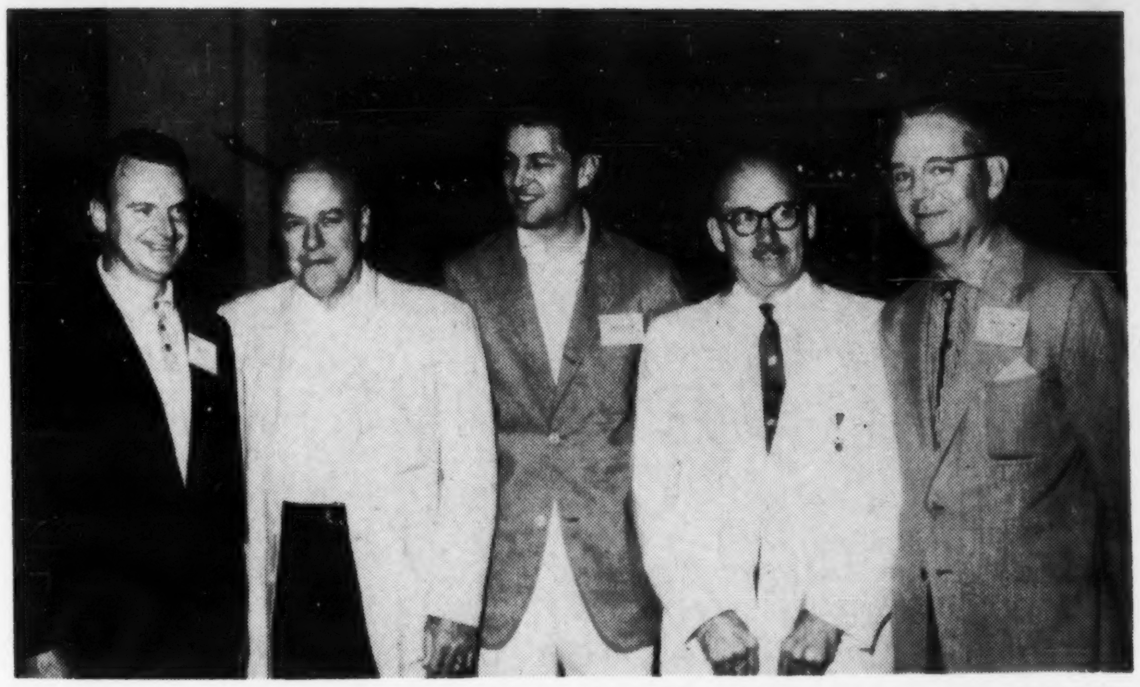
Problems of transportation, water and air pollution cannot and will not be solved on a community basis concludes the report, they will and can be on an area-wide basis. The key to solving the metropolitan problems, it appears is the establishment in metropolitan communities of an area-wide organization or framework through which truly area-wide matters can be presented, discussed, decided and acted upon on an area-wide basis.

LOS ANGELES

California transport plan. The Southern California Research Council has proposed a Transport Authority to coordinate transport planning and, where necessary, transport development and operation in the Southern California region. The need for a balanced system of transport in the region experiencing the concentric expansion of the Los Angeles urban area is emphasized by the Council's projection of a population increase in the region from 9 million to 17 million, and a total labor force increase from 3.5 million to 6.7 million by 1980.

MPTA, as proposed, would be created by the State Legislature, but controlled by the five counties within which the Authority would function. The directing board would include one member from each of the participating counties appointed by the respective boards of county supervisors, one member appointed by the Governor, and one member representing the State Division of Highways. In MPTAs' first phase of activity, that of developing a master transport plan, it would be granted power to hire competent professional planners and to levy taxes to finance its operations. With completion of the plan, it would receive bonding powers, the right of eminent domain, and authority to operate mass transit facilities with the Los Angeles Metropolitan Transport Authority as its first operating agency. According to

John C. Senholzi, *Chase Manhattan Bank*, New York; Mrs. Claude D. Seibert, New York; Edward D. Muir, *Dempsey-Tegeler & Co., Inc.*, San Antonio; Claude D. Seibert, *Commercial & Financial Chronicle*, New York



Floyd Beatty, *A. G. Edwards & Sons*, St. Louis; William N. Edwards, *William N. Edwards & Co.*, Fort Worth, Texas; Robert D. Anderson, *Distributors Group Incorporated*, New York; Robert O. Shepard, *Prescott & Co.*, Cleveland; Herbert R. Anderson, *Distributors Group Incorporated*, New York

the plan, local governments will retain autonomy for local planning, while using the special district organization as a tool of cooperation for the development of the region as a whole. MPTA could be later expanded geographically or developed into a multi-purpose district as recommended by the Governor's Commission on Metropolitan Area Problems.

The Southern California Research Council recommended that the proposed Authority's initial planning should be designed to seek balanced development of freeways, of rapid transit facilities in the city centers, of bus expressways or express lanes, of airport access routes, and of multi-purpose transit centers.

SAN FRANCISCO

Millions in benefits expected of Bay Transit. In 1975, within three years of the proposed regional transit system's entering full operation in the San Francisco Bay area, estimated tangible economic benefits will reach $42,000,000 annually. Benefits will accrue from savings in travel time, in freight movements, in accident incidence, insurance premiums, automobile operating costs, parking charges, bridge tolls and traffic control. Intangible benefits which may exceed the foregoing include: stimulus of regional growth, encouragement of development in urban centers, reduced smog, new locations for business and industry, provision of shelter and transportation for civil defense.

The proposed five-county, 120-mile system will consist of 20 miles of subway and tunnels, 42 miles of aerial lines, 52 miles of high-speed surface lines, a 14-mile underwater transit tube connecting San Francisco and Oakland, and a 2-mile rail link suspended beneath the present deck of the Golden Gate Bridge. The network will comprise five main transit lines radiating outward from the trans-bay tube and extending along heavily travelled traffic corridors.

Total cost will be $1,078,000,000 not including $133,000,000 for construction of the trans-bay tube which will be provided for from surplus Bay Bridge automobile tolls. By 1980, the systems will be carrying more than 127,000,000 passengers annually and producing gross revenues of close to $47,000,000. The earnings will leave a surplus of more than $5,000,000 after paying operating expenses and initial debt costs.

Financial advisors of the San Francisco Bay area Rapid Transit District have developed a schedule of future tax rates to finance construction of the rapid transit system. The tax bill of a Bay area homeowner will total approximately $4 during the initial years of construction, which are planned for 1963-1964, $26 after the 120-mile rail network is in operation. The last figure is the highwater mark which will represent repayment of capital costs. During the preceding 10-year period, assessments will meet only interest payments. The maximum transit district tax rate would represent 7½% of the average combined tax rate in the five counties of the District.

FLORIDA

Metro Government to Continue in Dade County, Florida. The controversial "Metro" plan of government is to be continued in Dade County which encompasses Miami and surrounding areas. The metropolitan form of government was saved from virtual oblivion by a narrowly favorable margin at the polls in an election held on Oct. 20. A record number of voters turned out to decide the fate of the five-year old experiment. Although passage of the amendment would not have dissolved Metro completely, it would have put such strong restraints upon the power of the body that figure-head status would have been the ultimate result. If the Metro plan had been turned down, the ramifications could have caused grave consequences in many parts of the country where the plan is being considered — notably in Cleveland, St. Louis, Nashville and Memphis. In fact, the question now is: Can Metro iron out the many problems that have been plaguing the Metro operation? No doubt, those considering the plan will develop a wait-and-see attitude before jumping in with both feet. Metro's problem has been that the municipalities within the government have maintained much control over many local matters nullifying the roll of Metro to some extent. However, it is hoped the vote of confidence given the Metro plan will provide the impetus for greater county-wide control.

MARYLAND

Solution to Baltimore's transit problems lies in the adoption of a Metropolitan Authority. The Baltimore Metropolitan Area Mass Transit Legislative Commission, in an effort to develop a program that would help alleviate the Baltimore area's chronic transportation problem, recommended the creation of a metropolitan transportation authority to own and operate the mass transit system, establish transportation policy and direct all transportation activities.

This present recommendation makes no provision for the control of traffic, parking and planning by the authority. It has, however, been endowed with regulatory powers, the right of eminent domain and the power to buy and sell property.

Immediate ownership and operation by the authority of a mass transit system has not been provided for. In fact, there is a mandatory two-year moratorium on

Continued on page 40

John Roosevelt, *Bache & Co.*, New York; Mr. & Mrs. Maurice Meyer, Jr., *Hirsch & Co.*, New York; Chuck Rendigs, *Bache & Co.*, New York

Charles L. Bergmann, *R. W. Pressprich & Co.*, New York; Roald Morton, *Blue List Publishing Co.*, New York; Mr. & Mrs. Walter W. Craigie, *F. W. Craigie & Co.*, Richmond, Va.

Continued from page 39

authority ownership and operation as well as a special requirement on the vote of the authority, which is needed to authorize such ownership and operation. The two-year delay was planned to allow the authority time to acquire personnel and become sufficiently acquainted with regulatory and financial matters.

In the central district of Baltimore City and some of the outlying communities the near saturation point is reached by automobiles and highways in peak hours. Although new expressways are being planned, it is impossible to provide sufficient accommodation for transportation exclusively by automobile. Moreover, a projected increase in the labor force of Baltimore, Anne Arundel and Baltimore Counties, will add approximately 120,000 persons to those who need means of transportation to work. Public sentiment in the past, however, has opposed a subsidy for mass transit but approved expenditures for highway construction.

The problem of adequate mass transportation in the Baltimore area is a regional one and its solution will provide benefits irrespective of internal political boundaries.

The proposed metropolitan transportation authority for the Baltimore area, is looked upon for the most part with favor by all. It goes without question that the initiation of the proposed plan, would do much to alleviate the problems now plaguing the city and surrounding areas. But it is doubtful that this will come to pass this year or in the near future until a remedy can be found for the attitude of the Anne Arundel County Commissioners towards the proposed programs. This could come about in the county elections in 1962.

The Commission report observes that only a metropolitan authority can supply a comprehensive approach and continuous specialized handling of the mass transit problem.

The advantages of a metropolitan transit authority include first that the exclusive concern of a special agency would be given to metropolitan transportation. (At present, public mass transportation in Baltimore is regulated by the Public Service Commission.) Second, the jurisdiction of the proposed authority would extend over the appropriate geographical area. Third, the authority could use its revenue-raising capacity to the advantage of private companies. Fourth, in the event that the authority acquire and operate mass transit companies, it would have at its disposal revenues, formerly paid in taxes or dividends, which could be used by the authority to improve services. Fifth, private companies could be required, in the suggested program, to extend existing services. Sixth, the use of prudent operating ratio as a method of fixing rate return would encourage private companies to improve services.

The general grant of powers would include authority to issue bonds, raise revenues, and assist private operators in their business. The authority would be empowered to require extension of services or routes in given circumstances.

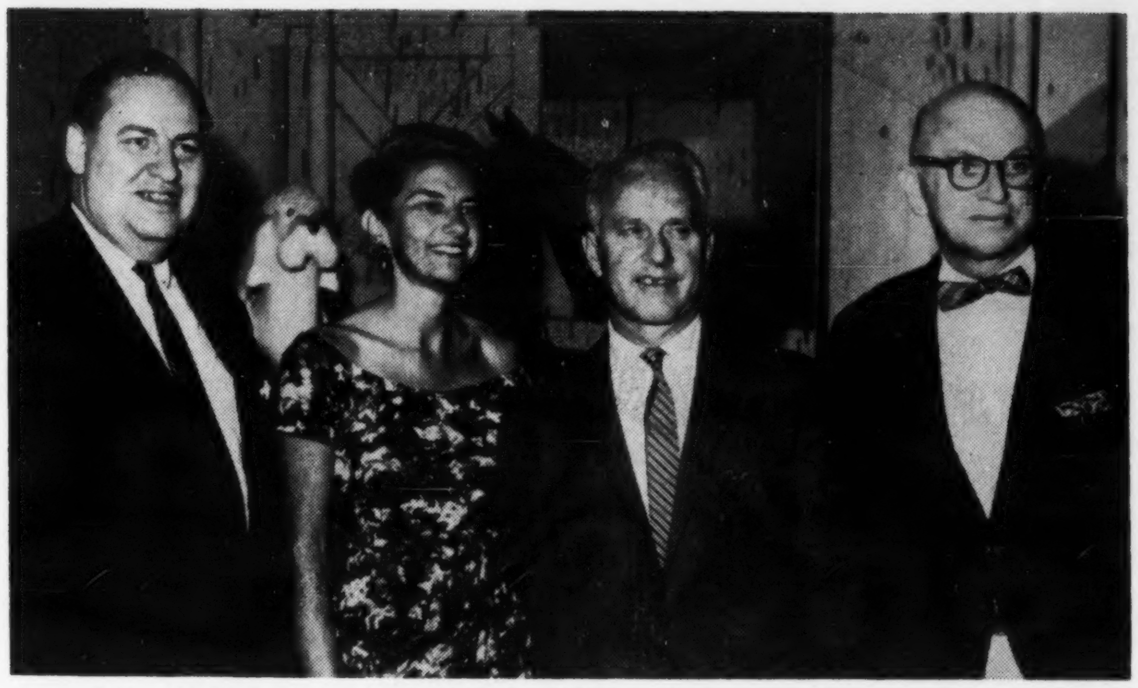
MISSOURI

St. Louis faces transit quandary. More than $400,000,000 is being spent on expressways as part of a federal aid program in St. Louis County but traffic growth outstrips highways. Railways face increased costs, competition and declining patronage. Public transit is fragmented. Area population surges upward.

In recent months three proposals have been made to solve the acute St. Louis metropolitan area transportation problem. The central feature of all three plans is a coordinated metropolitan area transit system. To date there has been little integration of transportation facilities.

Two of the three plans which have been submitted call for public ownership, the third approves continuation of private ownership, There is common emphasis, however, on a consolidated all-bus transit system. The first of the three plans was prepared in 1959 for the Citizens Metropolitan Transit Committee, a group appointed by the Mayor of St. Louis and the County Supervisors. This

Mr. & Mrs. James W. Davant, *Paine, Webber, Jackson & Curtis,* Minneapolis; Robert A. W. Brauns, *McDonnell & Co., Incorporated,* New York; W. R. Caldwell, *First Boston Corporation,* New York



James Reilly, *Goodbody & Co.,* New York; Mr. & Mrs. Jack Rennau, *Carl M. Loeb, Rhoades & Co.,* New York; Lawrence Illoway, *Penington, Colket & Co.,* Philadelphia

plan advocated a number of changes including an extensive network of expressways, limitations on parking, improved traffic controls and highways, rapid transit bus terminals and increased parking facilities. A bus rapid transit system is the central feature of the plan. Radial routes would connect a bus roadway distribution loop with outlying sections of the city and county. Of 86 miles of rapid transit service, almost half would be on exclusive bus roadways, the balance on outer sections of expressways. The same buses would supply both local service and exclusive roadway rapid transit service. The report proposes an area-wide authority with taxing powers and power to deal with traffic, fares and service. Total cost of the plan, including improvements in highways, traffic control, parking and other projects, is $340,000,000. A $20-a-year levy on all automobiles within the area is suggested as a means of financing the plan.

Mayor Raymond Tucker of St. Louis has proposed a second plan, the creation of a St. Louis Transit Commission, appointed by the mayor, with power to acquire all transit facilities in the area.

The third plan was offered by the St. Louis Public Service Company, a private enterprise. Under this plan the company would integrate all transit service in the St. Louis Metropolitan Area. It now earns approximately 80% of the total dollar volume of transit service. Its plan provides that it will acquire working control of the 14 other transit companies in the area. This would make possible coordinated schedules, unified planning and operations, and centralized maintenance of equipment. The new traffic system would be relieved of the obligation to pay local taxes. New traffic and parking regulations would be introduced. Regulatory jurisdiction would be given a local St. Louis metropolitan area agency, rather than a state commission. Operating contracts would cover the service and rates to be provided, with a floor and ceiling on earnings. The company would replace double fares with transfers, add 37 rush hour and shopper express lines to outlying districts, supplement local routes and extend existing routes.

The advantages and disadvantages of a publicly subsidized, profit-making private system, compared to a publicly owned system that pays neither taxes nor dividends, must be weighed in the balance. It is generally agreed, however, that delay in a worsening situation is the most costly course of all.

NORTH CAROLINA

Consolidation of the City and County of Durham meets defeat. A better than a four to one vote cast by the citizens of the City and County of Durham defeated the proposal of the Durham Charter Committee to consolidate the County and City.

Both rural areas and city districts as well as professional groups, industry, and members of all ethnic groups voted in the defeat. Among the telling factors was a fear of increased taxes and an effective "Don't be fooled!" campaign waged by those opposed to the Charter.

OHIO

Cleveland voters to decide on establishment of a charter commission. A delegation from Cuyahoga County Mayor's and City Manager's Association appearing before the Board of County Commissioners requested that the voters be allowed to vote on the question "Shall a Charter Commission be established?" This action follows by only 15 months the rejection of a proposed County Charter which would have metropolitanized most of the services with metropolitan implications.

A new move by municipal leaders followed a nine month study by a special committee of Mayors and other civic figures in which they agree upon the idea of a limited management charter.

PENNSYLVANIA

Philadelphia area transportation problems. In common with other large metropolitan centers, the Philadelphia area is suffering from an acute and growing transportation problem. Various localized efforts are being made to correct this situation, such as the organization of the Passenger Service Improvement Corporation, involving a cooperative agreement between the City of Philadelphia, the Pennsylvania and Reading railroads, and the railroad brotherhoods, and the promotion of a high-speed transit line connecting the City of Philadelphia with the Camden area, but by far the most comprehen-

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Walter D. Kingston, Jr., *E. F. Hutton & Company*, New Orleans; J. F. Stephens, *Texas Fund Management Company*, Houston; John Latshaw, *E. F. Hutton & Company*, Kansas City, Mo.

Bradford Simpson, *Hallgarten & Co.*, New York; Calvin Cross, *Hallgarten & Co.*, New York; Fred Peyser, *Hallgarten & Co.*, New York

Tyrus R. Davis, *The Bankers Bond Co.*, Louisville; Matthew J. Hickey, III, *Hickey & Co.*, Chicago; Mrs. Elincre Sedley, *The Bankers Bond Co.*, Louisville, Ky.

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sive effort to resolve the problem consists of a study which has been under way since January, 1959, by an organization under the name of Penn-Jersey Transportation Study. The group making up this organization consists of 12 agencies, including the U. S. Bureau of Public Roads, the State highway departments of both Pennsylvania and New Jersey, and the nine counties making up the Philadelphia-Camden-Trenton metropolitan area. The announced objective of this study is "to plan a coordinated highway and public transport system to promote and serve a desired pattern of regional development in the nine-county Philadelphia - Camden - Trenton metropolitan region." Intensive surveys and other exploratory work have been underway in this region and exhaustive studies on transportation problems and their solutions have been conducted in other metropolitan areas throughout the country.

This work is being directed by a large staff, including experts in all of the specialized fields which can contribute to the solutions of transportation problems and the associated issues of regional development. The staff includes not only contractors and traffic planners and engineers; but also economists, sociologists, political scientists, urban planners, geographers, and experts in modern data compilation and processing. Full-time staff members number some 600 people. While most of the effort so far has been devoted to field surveys and other work of an exploratory nature, recommendations should be forthcoming soon as to what character of transportation facilities, both rail and highway, will best serve the region's needs and as to the methods of putting these plans into effect.

TENNESSEE

Legal steps taken to prevent Tennessee annexation. Court action has been initiated by both state and Federal forums to halt the proposed annexation of a 41 mile area with a population of 48,600 by the City of Knoxville.

Petitions calling for a referendum on the initiation ordinance had been circulated widely. There have been reports of irregularity regarding the petitions though the Knox County Election Commission has certified the signatures of registered voters. However, enough suspicion was generated to force the City Council to initiate an investigation. The Election Commission thereupon petitioned the circuit court for information to stop the council from seeking the petitions and succeeded in securing a show-cause order. Upon hearing the arguments the referee ruled that a petition for a referendum on an ordinance was properly submitted to the City Council and that the City Council had the power to decide on the validity of the petitions.

Further litigation pertaining to the annexation consists of individual suits brought by property owners in the annexed areas. An ultimate appeal to the Supreme Court on the constitutionality of the state law, which permits annexation by ordinance, is considered probable. Litigation on this question promises to continue for two years or more during which period annexation cannot be effected.

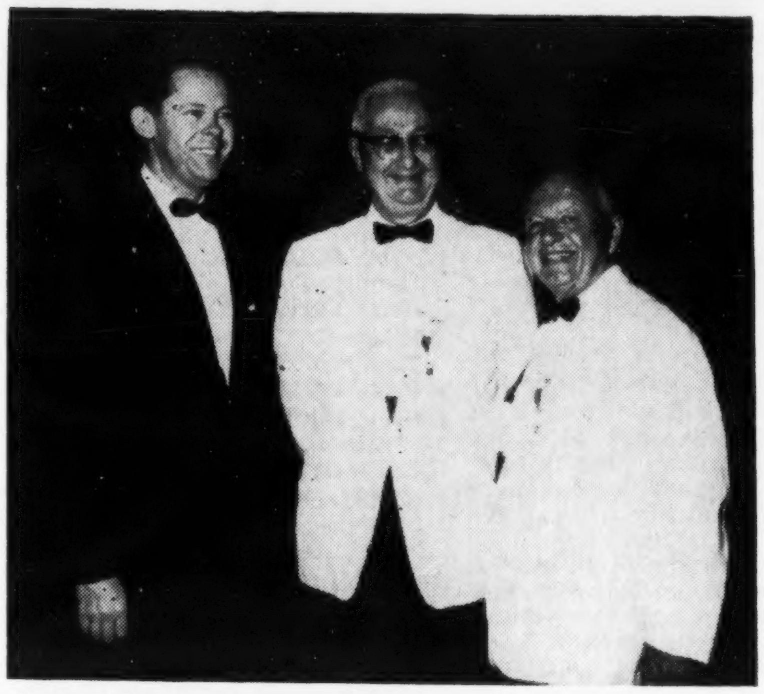
In the Knoxville area, local courts in a brief ruling have upheld the annexation to the city of Nashville of seven miles of commercial and industrial property. The courts found that since the reasonableness of the annexation was a debatable question, the annexation could not be overturned and that a prior Supreme Court decision upholding a Knoxville annexation determined favorably the issue of representation in the instant case. Appellants are expected to distinguish between the Nashville and Knoxville annexations on the grounds that in Knoxville councilmen are elected at large and annexed areas would automatically have the right to vote for them whereas in Nashville councilmen are elected from districts and the annexation ordinance should therefore make provision for representation.

TRI STATE REGION
New York-Connecticut-New Jersey

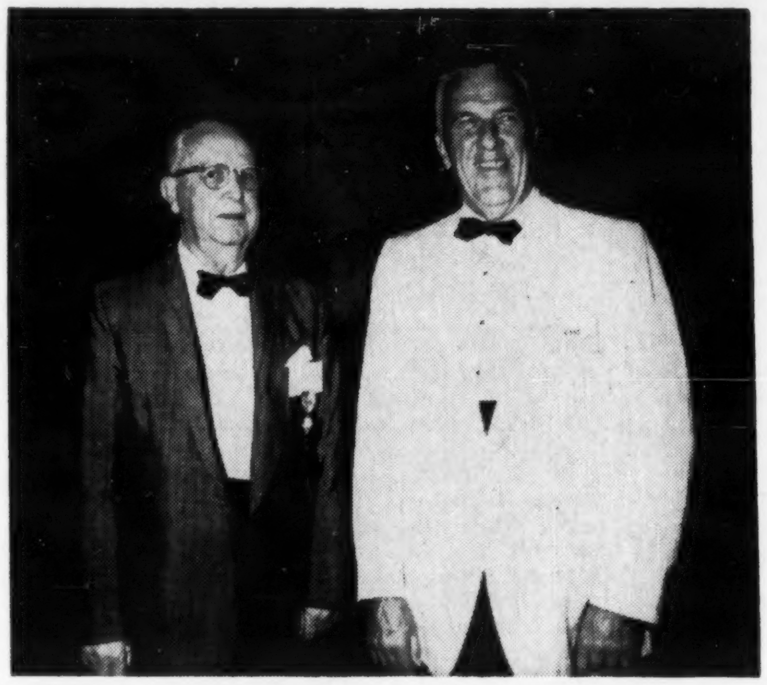
Crystal ball view of metro needs in 1985 discussed by businessmen. Businessmen, forty-one strong, from the New Jersey, New York, Connecticut metropolitan region met in Harrison, New York to discuss their area needs for the future. Their discussion of the region's development over the next 25 years was based on the recently released New York Metropolitan Region Study, a three-year project conducted by Harvard University's Graduate School of Public Administration.

The improvement of mass transportation systems and the development of broad land use plans in the region was considered vital. It is anticipated there will be a 50% increase in jobs and population in the region over the next 25 years, with the fastest rate of growth occurring in the outer ring — Monmouth, Middlesex, Somerset, and Morris Counties in New Jersey; Dutchess, Putnam, Orange, Rockland, and Suffolk Counties in New York; and Fairfield County in Connecticut. The study estimates that there will be 24 million people and 9.5 million jobs in the region in 1985. The area of urbanized land will double to cover 4,000 square miles by that date. The region will continue to be a relatively high wage area providing a diversity of employment opportunities, which will be filled to a greater extent by natural population increase and to a lesser extent by in-migration.

The businessmen concurred that obsolescence of transportation facilities and waste of capital investment and prime land were found to be the fundamental weakness in the present regional plant. Transportation to the central business districts is inadequate, traffic congestion in the core now cost an estimated $2 billion to the region's businesses. They further agreed that the total transportation system of the region must be dealt with as a whole



Walter N. Mathis, *Dittmar & Company*, San Antonio; Lowry Sweney, *Sweney Cartwright & Co.*, Columbus, Ohio; Edward D. Jones, *Edward D. Jones & Co.*, St. Louis



Joseph T. Johnson, *The Milwaukee Company*, Milwaukee, Wis.; Arthur S. Friend, *Folger, Nolan, Fleming-W. B. Hibbs & Co.*, Washington, D. C.

John W. Bunn, *Stifel, Nicolaus & Company Incorporated*, St. Louis; Mr. & Mrs. Tom G. Hilborne, *Liberty National Bank*, Oklahoma City, Okla.

to assure efficient communication among the older central business districts, and the newer industrial clusters and residential areas which will continue to spring up throughout the region.

It was suggested that New Jersey and Connecticut develop programs comparable to New York's limited tax abatement and low-interest, long-term loans for new low-rent housing units.

It was further agreed upon that States, counties, and municipalities must act quickly to halt haphazard land development and to reserve open space for the anticipated population boom.

It was recognized by the group that public policies for guiding the region's development will require careful study and close cooperation among the region's 1400 local governments through organizations such as the Metropolitan Regional Council. Effective regional cooperation requires adjustment of the tax structure to eliminate competition among local governmental units for high tax producing industries and residents. The states and counties should exercise more responsibility in regional development through technical advice and services, and stimulation of cooperative local planning and action. Finally the group suggested that the public must be educated to the concept of the region and its patterns of change and growth.

VIRGINIA

Richmond talks about merger. Richmond—Henrico County: Decision to be reached on Dec. 12, 1961. The proposed merger of the City of Richmond, Virginia and its neighboring Henrico County is approaching completion. The decision will be made by the voters on Dec. 12, 1961. If the voters and the legislature approve the plan, the merger will become effective Jan. 1, 1963 creating a city of 350,000 persons.

The bonded indebtedness of Henrico County, which is outstanding as of the official merger date, would be assumed by the new incorporated city. Henrico County obligations are rated Aa and the present city of Richmond retains an Aaa rating. The merger would make Richmond one of only three cities in the United States with county and city governments combined. Denver and San Francisco enjoy governments of this type.

An important factor in the proposed corporation entails the revision of the tax equalization rate. Henrico County tax rates would have to be gradually raised if such a merger was to be effected.

To provide for a representative government body, the proposed city area would be divided into five boroughs, one being the present city and other four being the four magisterial districts of Henrico County. The present city borough would elect four council members and each of the county boroughs would elect one member. Three council members would be elected from the incorporated city at-large.

County - Town merger denied. A petition by the Fairfax County, Virginia supervisors seeking a referendum to consolidate the town of Clifton and Fairfax County has been denied by the Circuit Court. If it had been approved, a formerly sparse rural area would have become the second largest municipality in the nation. Fairfax County, Virginia, with an area of 400 square miles and a population of 275,000 had previously signed a merger agreement with the town of Clifton, with a population of 230, on the authority of a heretofore unused state law which authorizes a county and town to consolidate into a single city.

The merger plan represented an attempt to prevent the gradual eating away at the county by selective annexation suits and incorporations. Under Virginia's unique pattern of city-county separation, wherein a city of over 5,000 persons is dejure independent from the county which may surround it, city annexations remove territory, population, and taxable values from the county. A Falls Church suit to annex 4.5 square miles of Fairfax is still pending in the courts and Alexandria is expected to seek a larger area later this year.

Fairfax County, which has experienced a population increase of more than 250% since 1950, has been considering measures to prevent fragmentation by incorporations and annexations for over three years. In January, 1958, the Public Administration Service recommended a "Metropolitan County" form of government, pointing out that if existent state laws remained unchanged and expansion of cities and towns continued, the county would be cut in two in ten years by a series of municipal islands which would nullify county planning and zoning, and complicate extension of urban-type services.

The urban county plan, as drafted by the Fairfax Commission on Urban County Govern-

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ment, was enacted by the State Legislature in 1960. It extends to counties of more than 90,000 persons a new organizational option which allows sub-units of county government to function as service districts and pre-empts all future incorporations within the county territory. It does not, however, limit annexations by formerly incorporated cities.

If the current merger proposal survived, the county would have achieved city status without waiting for legislative charter approval. The pertinent enabling statute provides that such consolidation may take place provided that the consolidated city adopts the draft city charter which is written into the statute and is given prior approval. A City Council would have replaced the County Board of Supervisors. Initial public reaction to the move was favorable, although the town of Fairfax had petitioned for second-class city status to assure its territorial integrity within the proposed larger city.

WASHINGTON, D. C.

D. C. compact sets precedent. A precedent-setting document, the Washington Metropolitan Area Transit Regulation Compact, was signed in December of 1960 by the Governors of Maryland, Virginia and the Commissioners of the District of Columbia.

The compact provides for the creation of the Washington Area Transit Commission, which will regulate the existing, privately owned transit in the entire metropolitan area. The Commission is to begin operations 90 days after the signing of the compact, set for March of 1961.

The compact is the product of several years' work. It was negotiated in 1959 by representatives of the Tri-State Commission in cooperation with the utilities commissions of Maryland, Virginia and the District of Columbia. In 1960, Congress gave its consent to the states and the District of Columbia entering the compact.

At present, transit operations in the region are subject to the regulation of four separate commissions, three from the District of Columbia, Maryland, and Virginia and the fourth, the Interstate Commerce Commission. The newly created Commission will centralize the regulation of transit in the metropolitan area.

Respectfully submitted,

SUBCOMMITTEE ON METROPOLITAN AREA PROBLEMS

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George B. Wendt
First National Bank of Chicago
Chicago, Ill.

Report of IBA Insurance Securities Committee

Shelby Cullom Davis, Senior Partner of Shelby Cullom Davis & Co., New York City, presented to the Convention the Report of the Insurance Securities Committee, of which he was Chairman. The Report follows:

Again the Insurance Securities Committee is grateful to the Investment Bankers Association for this temporary place in the sun. You know, you can read group roundups of the market in the leading financial periodicals from aluminum to zinc, including fertilizers and never a mention of insurance stocks. So we continue to be pleased at this recognition and are proud to present our third annual report.


Shelby Cullom Davis

1961 was a "year to remember." It was not that the figures justified the best year in insurance stock history. Published operating figures in fact showed little if any improvement.

"Mind Over Matter"

The best year in insurance stock history, a rather broad statement, represented the triumph of mind over matter, or more concretely, state of mind over near term operating results. Value, we believe, resides ultimately in the mind—a kind of financial equivalent of the philosopher Descartes' dictum "I think, therefore I am." In 1961 the state of mind of investors toward insurance stocks was influenced by:

(1) Disillusionment toward some industrial growth stocks including well known electronics, whose operating and market performance left plenty to be desired;

(2) Consideration of insurance companies as financial—not just insurance institutions, benefited by higher interest rates, with constantly expanding investment earnings;

(3) Belief that fundamental changes are taking place in fire and casualty in rating and marketing which will improve the long-term outlook;

(4) Expectation that life sales will be enormously helped by the coming family explosion and that life earnings, aided by substantial leverage, will skyrocket with continued high interest rates and improved mortality, particularly heart and cancer;

(5) Strong technical position of insurance stocks at the beginning of the year, due to five years of consolidating market movement.

Stocks Reasonably Priced

The price-times-earnings ratios of insurance stocks, representing the state of mind of investors toward insurance shares, the esteem in which they are held, hence rose during 1961. Insurance securities, cheap a year ago, are now reasonably priced.

While near-term market performance now seems more subject to general market conditions, the longer term outlook, as we said a year ago, continues fair and warmer. You can still reach for an insurance stock instead of many another!

Respectfully submitted,

INSURANCE SECURITIES COMMITTEE

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Graham Jones
Cooley & Co.
Hartford, Conn.

Significant Developments in The Fire and Casualty Insurance Field in 1961

A logical procedure in tracing the significant developments in the fire and casualty insurance field this year is to examine them from the following standpoints:

Factors influencing underwriting profit margins. This includes

the progress made in solving the problems of automobile liability insurance, gains made in increasing operating efficiency by reducing the ratio of expenses to premiums written and the effect of weather conditions on underwriting results.

Factors affecting investment results. Included in this category would be gains made in net investment income and the effects of stock market action on policyholders' surplus or total capital position. Dividend action might be considered a related element under this heading.

Development in the field of combinations or mergers of fire and casualty insurance companies. This would include a description of the combinations which have taken place and consideration of possible future implications of the recent decision of the Court of Appeals of New York State which reversed the ban which the New York Insurance Department had placed on the acquisition of a fire and casualty insurance company by a life insurance company licensed in New York.

An examination of the aggregate combined loss and expense ratios of a group of 40 representative fire and casualty stock insurance companies for the past four and one-half years indicates a basically improving trend of underwriting results, is shown in figures:

	6 Mos., 1961	1960	1959	1958	1957
Loss Ratio	-----	60.8%	58.5%	60.2%	62.9%
Expense Ratio	-----	39.1	39.9	40.9	41.2
Combined	*101.6%	99.9%	98.4%	101.1%	104.1%

*35 companies.

The year 1957 represented one of the worst loss years in the history of the fire and casualty insurance business. Since that year, however, substantial improvement in underwriting profit margins has been achieved as the fire and casualty insurance companies have made an all-out attack on the underwriting problem from several directions. Increases in rates in several lines, particularly in the automobile bodily injury and property damage lines, represented the chief means by which underwriting losses were reduced and gradually converted into profits. Closer scrutiny of the underwriting business received from agents in certain metropolitan areas also produced better underwriting results through the process of weeding out less desirable business.

Perhaps more important than either of these factors has been the companies' campaign to increase efficiency and reduce their expense ratios. Adoption of more efficient operating techniques, particularly through increased utilization of electronic data processing equipment and through better organization of personnel, has represented an important avenue for improvement. Reductions in commission rates paid on such mass lines as automobile insurance also has contributed to savings in insurance company operating costs.

Property Losses Increased Owing To Bad Weather

Unfortunately, bad breaks in weather conditions both in 1960 and 1961 resulted in sharp increases in property losses, especially in the fire and extended coverage lines. Just as 1960 seemed to be headed for one of the most profitable underwriting years in a decade, hurricane Donna struck Florida and tne eastern seacoast, increasing insurance losses by close to $100 million. This added at least one and one-half points to the combined loss and expense ratio for 1960 and wiped out a major portion of the underwriting profits of the stock fire and casualty insurance companies for that year.

Again in the first half of 1961, the unseasonably cold weather of January and February contributed to a 10% increase in fire losses. This, coupled with a series of severe storms in the southwest during April and May, threw underwriting results back into the red. Before fire and casualty companies could achieve much by way of recovery from the effect of these storms on underwriting profit margins, hurricane Carla on September 10 and 11 of this year whipped into Texas from the Gulf of Mexico and caused more catastrophic property losses in that area. Fortunately, the second major tropical storm of the season, hurricane Esther, stayed out at sea and its winds caused a relatively small amount of property damage.

It would thus appear that catastrophic storm losses in both 1960 and 1961 have more than neutralized progress which a majority of the stock fire and casualty insurance companies have been making in solving their basic operating problems. For example, the automobile liability insurance business produced a profit for **Travelers Insurance Company** in 1960, and several other companies have recently reported profitable underwriting results from this heretofore troublesome line. Furthermore, the expense ratios of many companies have been brought down to much more satisfactory levels during the past two years, reflecting the commendable gains in efficiency of operations which have been achieved.

Expense Ratios Key to Profitability

Insurance is a business of percentages of probability. Losses will vary from year to year but, assuming that rates are properly constructed, underwriting operations should be profitable in the long run. This is so because insurance law, recognizing that insurance is an indispensable factor in our economy, requires that insurance companies charge rates that are fair and reasonable, and which should assure sufficient income over a period of years to pay losses and expenses and leave a margin for profit and contingencies. Fire and casualty insurance companies can attempt to refine their underwriting business and minimize losses by becoming increasingly selective as to the risks they assume.

However, if the industry's average loss ratio runs between 60% and 65%, as would seem to be a fair assumption under current conditions, the target for the management of most fire and casualty insurance companies is to bring the expense ratio (ratio of expenses to premiums written) down to or below 35%. This is the expressed goal of the mangements of a number of companies, and several of these companies have made notable progress in recent years toward achieving that goal figure. Thus, it has become the practice of many analysts of insurance company securities to judge managements of the various companies to a large degree on the extent of the progress they have made in the past three or four years in reducing their expense ratios.

Equity Portfolio Gains

With respect to investment results, the 1961 semi-annual aggregate figures compiled by **Alfred M. Best Company** for 120 stock fire and casualty insurance companies showed marked improvement. Net investment income rose by more than 7%, and substantial appreciation was recorded in stock portfolios compared to moderate market depreciation in the first half of 1960. Both loss reserves and unearned premiums were higher in the first half of 1961, and as a result of operations since Dec. 31, 1960, assets ad-

Continued on page 46

Harold E. Waeckerle, *Parker/Eisen/Waeckerle/Adams & Purcell*, Kansas City, Mo.; Mr. & Mrs. Tom G. Hilborne, *Liberty National Bank*, Oklahoma City, Okla.; Harry F. Mayfield, *Commerce Trust Company*, Kansas City, Mo.

Mrs. E. Lynn Crossley; B. Franklin Houston, *Dallas Union Securities Co., Inc.*, Dallas; James M. Powell, *Boettcher and Company*, Denver; E. Lynn Crossley, *Municipal Finance Officers Association*, Dallas

Continued from page 45

vanced by more than 5% and surplus increased by 10%.

The upward trend of investment income and values of equities owned has continued to date in 1961 and is expected to provide an important buffer against the increases in property insurance losses being experienced as a result of the severe storms of this year. Based on representative figures for a broad group of 210 stock insurance companies, their aggregate policyholders' surplus as of Dec. 31, 1960, was approximately $8 billion, so that a 10% increase would amount to $800 million. This would more than take care of a substantial amount of underwriting losses.

Dividends Increased

Dividends declared by the aforementioned list of 210 fire and casualty insurance companies aggregated $279 million in 1960 (including policyholders' dividends). This equalled 56.7% of net investment income. Exclusive of policyholders' dividends, the pay-out percentage might be estimated at about 50%. This indicates that there is a good margin of coverage for dividends for the average fire and casualty insurance company. A large number of fire and casualty insurance companies increased their dividend rates to shareholders in 1960 despite the inroads made in underwriting profits by hurricane Donna. More companies have raised their dividends to date in 1961.

However, the pace of dividend increases for the balance of this year probably will be slowed as a result of hurricane Carla's effect on underwriting results for 1961. Net investment income can be expected to continue its steady upward trend, however, and this should pave the way for future dividend increases when underwriting results show improvement.

During the past 12 months the merger movement among the fire and casualty insurance companies has made substantial progress. The following combinations have constituted some of the principal recent developments along this line.

Federal Insurance Company and Great Northern Insurance Company.

Glens Falls Insurance Company and Kansas City Fire & Marine Insurance Company.

Hanover Insurance Company and Massachusetts Bonding & Insurance Company.

New Hampshire Insurance Company and Illinois National Insurance Company.

Reliance Insurance Company and Standard Fire Insurance Company of New Jersey and Standard Accident Insurance Co.

Security Insurance Company of New Haven and New Amsterdam Casualty Company.

Springfield Insurance Company and Freeport Insurance Company and The Standard Insurance Company.

Court Decision May Augment Mergers

One new factor, which is expected to have important implications with respect to future developments in the merger movement in the insurance company field is a decision of the New York State Court of Appeals rendered on June 1, 1961. In this decision, the Court upheld the right of a life insurance company licensed in New York but incorporated in another state to purchase a controlling interest in a fire and casualty insurance company organization. Whether or not this new right will be exercised cannot now be forecast, nor can the timing or the names of the companies involved be predicted with accuracy.

Based on market action of their stocks following the announcement of decision, it would appear that investors tend to think that **Aetna Insurance Company** and **Phoenix Insurance Company**, both of Hartford, are the fire and casualty insurance companies most likely to be involved. This perhaps stems from the fact that the companies originally involved in the case were both located in Hartford (Connecticut General Life Insurance Company and National Fire Insurance Company of Hartford). The chief effect of the decision is to remove one possible obstacle to future combinations.

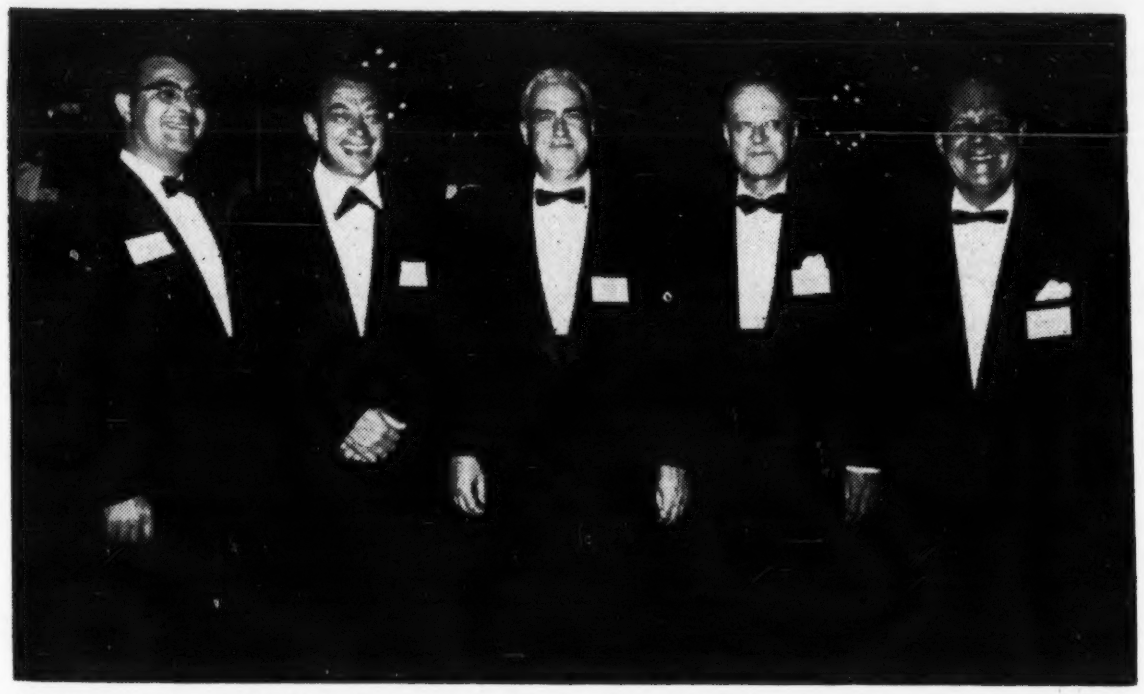
Market action of fire and casualty insurance company stocks has been favorable during the past year, although the hurricane news concerning the large losses from Carla depressed insurance stock prices in September, just as the effect of hurricane Donna last year was to bring prices down then. The Alfred M. Best Index of 30 fire and casualty insurance stocks started the year 1961 at 42.5. As of Aug. 31, 1961, it was up 32% to 56.1. A study of the price action of individual issues indicates that the highest quality stocks during this period showed an average gain of over 40% while for the second line issues the average gain was closer to 20%. Thus, the overall tendency has been to favor the highest grade issues which are on the approved lists of such institutional investors as trust companies, pension funds, investment trusts and universities.

Outlook for 1962

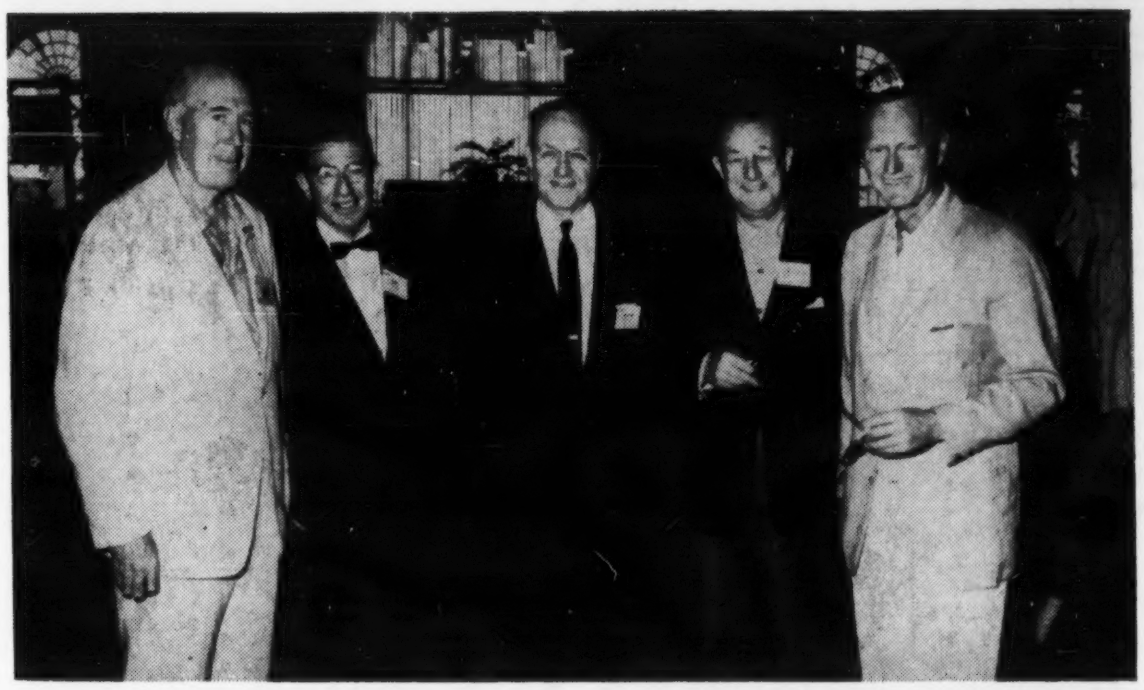
In looking ahead to 1962 it would appear that, for the fire and casualty insurance companies, the favorable factors outweigh the negative ones. Despite the hurricane losses, the basic factors relating to underwriting appear to be on the plus side. Definite progress is being made toward solution of the automobile insurance problem and toward reducing expenses. Mergers or combinations are expected to help increase the overall strength and efficiency of many companies in the industry. At the same time investment results are continuing to make possible good gains in surplus and in net investment income.

Significant Developments in The Life Insurance Field In 1961

From the standpoint of Investment Bankers, the most significant development in life insurance affairs in 1961 has been the advance in the price of the stocks. Shares of life insurance companies have had a rather steep increase from the levels which existed at the beginning of the year. At the end of December, 1960 the **Alfred**



Wallace D. Johnson, *David A. Noyes & Co.*, Chicago; John C. Schutz, *Chiles-Schutz Co.*, Omaha, Neb.; Richard J. Leonard, *L. F. Rothschild & Co.*, Chicago; Richard C. Nongard, *Nongard, Showers & Murray*, Chicago; Milton J. Hayes, *American National Bank & Trust Company*, Chicago



James P. Jamieson, *Glore, Forgan & Co.*, Chicago; Aaron Katz, *Troster, Singer & Co.*, New York; Col. Oliver J. Troster, *Troster, Singer & Co.*, New York; Lyle F. Wilson, *Pacific Northwest Company*, Seattle; F. W. Pershing, *Pershing & Co.*, New York

M. Best & Company index of 30 life stocks was 193.0. At the end of September, 1961 this index was 341.9, an increase of 77.2%.

The year 1961 has been a year in which institutional investors have been heavy buyers. Institutions are generally long-term holders and do not trade the stocks. As they "lock up" sizable blocks of stock, the already thin markets become tighter. In other words a supply and demand factor is injected into the market prices. Although most analysts seem to agree that current times earnings multiples are high enough, the stocks do have support at present levels.

Life Insurance Sales Up 5.6% Over 1960

Sales of life insurance so far in 1961 are greater than they were in 1960. For the first nine months of this year, the latest data available, total purchases of life insurance were $57.1 billion an increase of 5.6% over the same period in 1960. Of that total $39 billion or 68.3% were sales of ordinary life insurance, $12.8 billion or 22.4% was group life and $5.3 billion was industrial insurance. Ordinary insurance sales, normally the most stable and profitable type, increased less than ½of 1% over the same period of 1960, industrial insurance sales increased about 1% and sales of group insurance increased approximately 28%. The large increase in group sales was partly accounted for by one large case which was slightly over $2 billion.

Purchases of life insurance are not keeping pace with the great up-surge in sales in the period from 1946 to 1956. It would not be realistic to expect such percentage gains in each year. The life insurance industry continues to stress its product, however, and $57 billion is not an insignificant figure for a nine month period. As the population of this country continues to expand there is every reason to believe that more and more life insurance will be sold.

Mutual Funds and Life Insurance

The year 1961 has seen a continuing change in the emphasis on the types of coverage being sold. Until quite recently most life insurance purchased was whole life or some variation of that form. The policies built up cash values and had some savings features as well as protection to survivors in the event of the death of the insured. During the past 10 or 15 years the insuring public has become more aware of inflation and its threat to a program of fixed guaranteed dollars. For many years the life insurance industry has built its reputation on a promise to pay a sure and certain sum upon the happening of a specified event, either death or the passage of a specified period of time. As the purchasing power of the dollar declined, the insured's only protection was to purchase more insurance in the hope that he would have enough to fill the need insured against at some future date.

Because of the increased awareness of inflationary pressures, and the fixed nature of the life insurance program, many people are turning to the purchase of equities in some form to help protect them from a decline in future purchasing power. As a result there has been, of late, more emphasis on buying term life insurance which has little if any savings element and is cheaper than whole life. These purchases of term life are coupled with the purchase of mutual funds to attempt to provide a program which will keep pace with the cost of living as well as provide protection in the event of death. There are in existence today a fair number of large agencies whose salesmen are licensed to sell both mutual funds and life insurance.

Variable Annuities

Another approach to the problem of inflation versus fixed dollars is the Variable Annuity. Annuities have been sold by life insurance companies for many years. However, these like life insurance policies provide fixed guaranteed dollars. Many buyers of annuities, specifically buyers of group annuities which are often pension plans, have preferred to have their monies invested in equities. Therefore, the life insurance industry has lost some of its group pension business to the banks. Variable annuities can be one method by which the life insurance industry can recapture this business.

There are other approaches to this problem which are more favored by the industry. Many life insurance company officials believe that they could solve this problem if they were allowed to segregate funds. By this, they mean to invest the reserves set up against life insurance in fixed income securities and to invest at least some of the reserves set up against pension business in equities. The pension reserves would be kept in a separate account and not co-mingled with straight life insurance reserves. All of these plans have advantages as well as disadvantages and which one is used will depend on the individual company's approach to the problem.

The year 1961 has been a satisfactory one from the standpoint of mortality experience and investment results. Mortality experience is not improving as rapidly as it did during the period immediately following the advent of the "wonder drugs" such as penicillin, sulfa and the miocines. The gains made in medicine and in general public health during past years do, however, continue to keep current mortality rates at a very satisfactory level. Any significant progress in the treatment of cancer and heart disease would prove of material future benefit to the industry.

Investment results in 1961 continue to be excellent. Money rates have been maintained at a reasonably favorable level and while the industry must constantly search for attractive investments they have, in the main, succeeded in finding them.

Life insurance shares are currently being priced as growth stocks. The past record plus the indicated potential supports this position. Investors who purchase them as long-term commitments should do very well.

Report of the IBA Public Utilities Committee

Carl C. Brown, Partner, Dean Witter & Co., New York City, presented the following Report of the Public Utilities Securities Committee, of which he was Chairman:

Since reporting to you a year ago about the status of the Public Utility Industry, we have been through trying times both on domestic and international fronts. We are delighted to report that the electric utility industry, the telephone industry, and gas distribution companies, have come through the 1960-1961 recession with outstanding results. They have shown higher earnings, made greater dividend distributions and experienced substantial appreciation of their common stock equities. The electric utility industry is in an especially favorable position today, because of its large excess reserve capacity position to handle greater volumes of business, and its financial strength enables it to take care of expansion requirements with relative ease. We cannot say the same for the natural gas transmission companies, which have weathered the recession in terms of volume of business done but have suffered deterioration of investor confidence.

Carl C. Brown

With this note of cheer, we wish to turn to the problems of the future. On this score we cannot afford to become complacent because we see storm signals appearing along the horizon.

Advocates of Public Power Gaining Strength

During the year there have been mounting developments which have harassed the electric utility industry on a number of fronts. Public Power advocates now have stronger representation in the Nation's Capital. While all of us have become accustomed now to the acts of "cold war" being waged against the United States by foreign nations, we are disturbed to see a "cold war" being waged within our own land against investor-owned utility companies. While we have little, if any, control over the international situation, there is much that we can do to exercise our rights and affect decisions over domestic matters. Let us see just what has been happening which is tending to weaken the utility industry, one of the stalwarts of the American economy.

We perhaps must be reconciled to what has happened in the case of the Tennessee Valley Authority, which initially was created for the purpose of utilizing a small Government hydro-electric project and now has evolved into the largest steam generating operation in the country. You are not unfamiliar with the fact that the Government's enlarged interest in TVA has resulted in taxpayers in every state of the country subsidizing the operations of the TVA, when private companies could have done the job with a resultant tax payment to municipalities and to the Federal Government and reduced the tax bill of the American citizen.

Now we have another giant in the making, the Rural Electrification Administration, which was originally designed to bring electricity to farmers located in distant rural areas not receiving power from the utility companies. Since the Act was passed many years ago, over 97% of the rural areas of the country are now adequately served with electric power so that the need for help from the Administration is now negligible. Despite this fact, the REA has conceived a plan to put itself into new and bigger business, planning to build steam power and even hydro-electric plants and extensive transmission systems. In so doing, taxpayers' receipts are being used by the Federal Government to lend money to these unnecessary schemes at an interest rate of 2%, giving these projects a substantial operating subsidy, when the Government itself pays 4% to borrow long-term money. There are instances that have been reported where some of these REA's have borrowed 2% Federal funds to purchase 4% Government bonds.

REA's Lending for "Lending Sake"

The original test for an REA loan was based on sound business considerations. Today loans appear to be made just for the sake of making them, without notice or opportunity to affected persons to be heard in public hearings. Fortunately, in some states, there is a safeguard in that before these projects can be built, they must receive State Commission approval under which proof must be given that they are essential and in the public interest. Unfortunately this safeguard is not available in many states. Not only is this situation bad, since it makes our citizens subject to higher taxes to subsidize these operations, but it is bad from the standpoint of weakening the investor-owned companies in the area, since REA's with their power rate advantage are in a position to draw industries and large customers away from companies in adjoining areas.

At a time when the nation is confronted with keeping our own economy strong, when citizens are being taxed at an excessive rate, and when the government has a budget which is substantially out of balance, why do we encourage the use of Federal funds for these REA loans which largely duplicate facilities already available and fully supplied by the investor-owned utility industry.

On still another front, Government action is producing duplication of expenditures and unnecessary waste. In the Public Works Appropriation Bill passed in the last session of Congress, funds were provided for the construction of an all-Federal transmission system in connection with the Upper Colorado River Basin Project. This has to do with the taking of power from Glen Canyon, a new hydro-electric plant being built on the Upper Colorado River in the State of Arizona, to markets. Five private companies in the immediate area already have extensive transmission systems and are prepared to implement these in order to do the job completely without the need of the Government having to spend a dollar. Nevertheless the Interior Department seems to ignore the offer of the utility companies and proposes to duplicate facilities and to build its own lines with resultant losses of taxes to the states and to the Federal Government. It also puts the Federal Government in competition with the private companies which have served this territory for many years.

Hanford Project Defeated

On another front, we have observed this year proposed Federal legislation to make atomic power at the Hanford Plutonium Project in the State of Washington available for sale to Southern California by way of the construction of an expensive high-voltage transmission line putting the Federal Government in direct competition with investor-owned companies operating adequately in the area. Fortunately this project was defeated in the last session of Congress.

There are also grandiose schemes being considered in Washington of tying in all the Federal Hydro-Electric Projects with transmission systems so that Bonneville, Grand Coulee, Hoover Dam, Central Valley, TVA and others will all be able to interchange power. This would be a very expensive undertaking and would be a duplication of facilities that are now available. In fact, private companies have made overtures to Federal Projects such as the TVA to bring about an interchange of power so as to utilize most efficiently all power reserves. Similarly 14 Midwestern power companies have offered to supply the Federal Government with electricity when Federal hydro-electric plants along the Missouri River are short of power. So far such propositions have fallen on deaf ears.

On a broader scale, investor-owned electric utility companies have announced their intention to double their investment in transmission lines requiring an outlay of over $7 billion. By the end of 1970 the major power systems thus will be in position to operate their properties on an interconnected basis throughout the United States. In this way service will be rendered on a most dependable and economical basis.

The electric utility industry, as was evidenced at recent confirmation hearings was also concerned with certain appointments made this year to the Federal Power Commission. These include two members, whose record is closely associated with public power, one with the TVA and the other with the Pacific Northwest. Another new member comes from a state where no natural gas is available and where the individual admitted having little, if any, knowledge of the industry. These appointments must also be scrutinized from the standpoint of the difficult problems facing the Commission in its deliberations over the important natural gas industry.

Discriminatory Tax Proposal

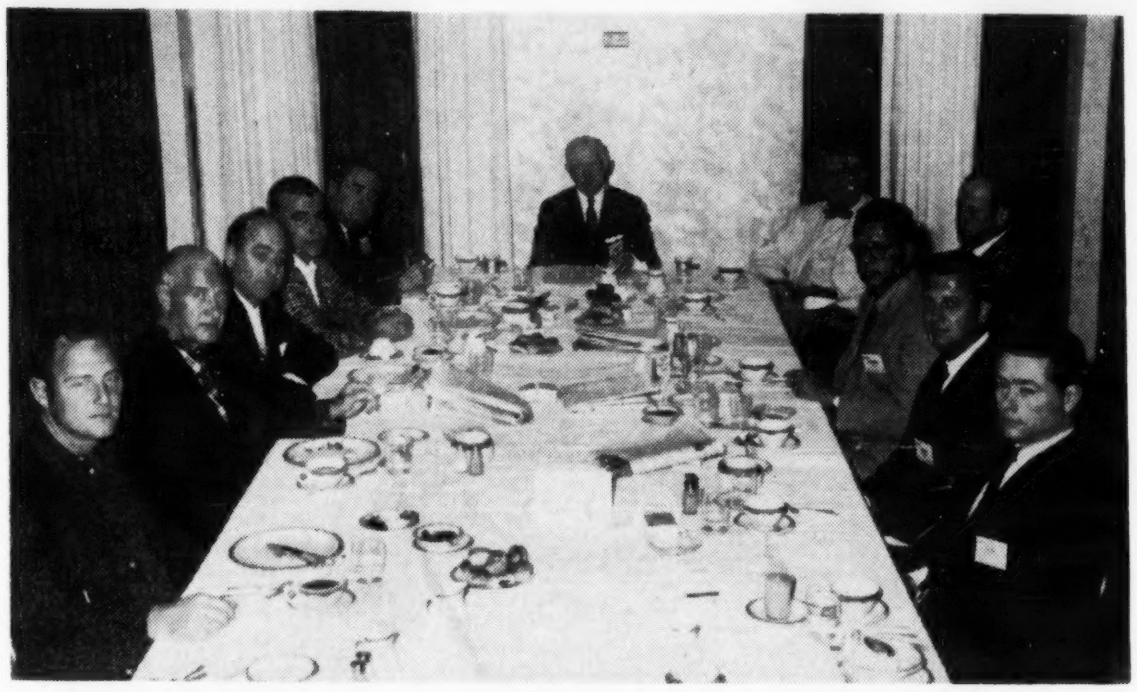
Still another development during the year was in connection with proposed Federal tax legislation. In the last session of Congress legislation was proposed which would give tax benefits to a large segment of American industry but would deny it to the electric utility industry. Such tax legislation was not cleared for consideration but will likely come up again when Congress reconvenes in January.

It was proposed to give a tax credit to companies for the purpose of increasing capital spending and plant modernization, but denied the same advantage to utility companies. This discrimination was based on the supposition that utilities would spend independent of incentives since their spending are a function of public requirements, also reduction in taxes would be passed on to consumers and, therefore, be no incentive and their facilities are not subject to competition. The premises are fallacious. Industry spokesmen have pointed out that the availability of a tax benefit would stimulate capital investment by utilities for expansion, modernization and technological advance. Reduction in taxes would permit lower energy costs which would help to stimulate the growth and strength of the economy and maintain the competitive position of the utility industry against other beneficiaries of the tax program.

Apropos the tax stimulus, one of the largest utilities in the country submitted a memorandum to the House Ways and Means Committee, proposing to replace immediately old generating capacity, that would normally not be retired for many years, with modern facilities at a cost of $40 million, if the tax credit were available. Apart from effect of modernization, the utility offered to pass along the reduction in cost to two million customers. Without taking any position on the wisdom of this tax scheme, it is hoped that if such legislation is enacted the utility companies would receive the same treatment as any other American enterprise or industry.

Natural Gas Industry Also Under Attack

Last year we brought to your attention the regulatory situation



Public Utility Securities Committee, Breakfast Meeting—Carl C. Brown, *Dean Witter & Co.*, New York, Chairman

Mr. & Mrs. Milton G. Hulme, Jr., *Glover & McGregor*, Pittsburgh; Mr. & Mrs. Addison W. Arthurs, *Arthurs, Lestrange & Co.*, Pittsburgh

with respect to the *natural gas industry*. We pointed out that heretofore the Federal Power Commission had permitted the customary rate of return on investment in plant, in the area of 6% overall rate of return. Security holders relied on this method of regulation to invest hundreds of millions of dollars in the industry between 1950-1960 when the greatest growth occurred. Last year the Commission went off on a new tack and changed its formula to a rate of return on common stock only, and arrived at 10% and 10½% return on this basis. We characterized this new method of determining rates of return to natural gas pipeline companies as being "skin and bones" treatment and furthermore that it changed the rules of the game in the "middle of the game." Furthermore this method results in penalizing the new pipeline companies which had been necessarily set up on a thin equity basis.

At this moment it is not possible to say how badly it will affect a number of important companies in the industry. If it were rigidly enforced, it could result in several companies reducing their present dividend rates, as the initial step, and such a development might be the forerunner to a further deterioration of investments in that industry. There are other problems which give cause for concern in the natural gas industry, particularly as many of the companies do not know, and may not know, for a number of years what earnings they will be able to keep and what the Federal Power Commission will determine must be refunded to the rate payers because of open rate proceedings that run back five years and more.

We are also concerned with the apparent anti-attitude in Washington toward large strong companies which have a vast number of stockholders. In the utility field we have in mind the situation of the American Telephone & Telegraph Company. There have been threats reported which would require the telephone system to be broken up. Also, while on the one hand we have realized the necessity of beating our adversaries in launching an intercontinental satellite communication system, we are creating apparant philosophical obstacles and deterring private companies proceeding at full speed to reach their goal.

Local Regulation Reassuring

The one reassuring strength of the utility industry is that the greatest segment of its operations is still subject to regulation at the local level, within the states or municipalities. The State Commissions and municipal authorities have continued a sane and sound policy of regulation. Where rate assistance is needed by individual companies it has been forthcoming satisfactorily and promptly.

During the year 1961 we have had a fair and prompt decision in the State of Arizona affecting the Tucson Gas, Electric Light and Power Company. Likewise there were reasonable rate decisions in Michigan, affecting Consumers Power Company; in Ohio, in regard to Columbus & Southern Ohio Electric Company, and in Indiana, affecting Public Service Company of Indiana.

The New York Commission allowed rate increases for New York State Electric & Gas Co., Niagara Mohawk Power Co. and Consolidated Edison Co. A conflict within the California Commission was reconciled to clarify and strengthen the rate position of the two largest utilities in the State, the Pacific Gas & Electric and the Southern California Edison Companies, and some rate increase was given San Diego Gas & Electric Company.

State Courts have also been instrumental in strengthening the position of the utility industry. We cite for example decisions in the State of North Carolina where both the lower court and the highest court concurred in rendering a decision in the case of the Piedmont Natural Gas Co. which established proper and fair standards for regulation in the State of North Carolina.

There were constructive rate decisions by courts in the State of Iowa affecting the Iowa-Illinois Gas and Electric Company, reaffirming the fair value principles laid down by the State Supreme Court in 1957.

Also in New Mexico a District Court set aside an unfair decision of the Commission in the case of the Southern Union Gas Co., a matter we brought to your attention a year ago.

Generally speaking, at the state or local level utility companies receive fair and consistent treatment which is a real bulwark to the utility industry and serves to maintain investor confidence in public utility securities. It is only at the Federal level where danger signals are up and give cause for concern not only to every taxpayer in the country but also to every investor.

Respectfully submitted,

PUBLIC UTILITY SECURITIES COMMITTEE

Carl C. Brown, Chairman
Dean Witter & Co.
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Report of the IBA Canadian Committee

Norman J. Alexander, General Manager of James Richardson & Sons, Winnipeg, Canada, as Chairman of the Canadian Committee, submitted the following Report to the Convention.

While a high level of economic activity prevailed in Canada in 1960, and during the current year to the time of writing, the period has been one of broad complexity influenced by domestic and external developments both of a temporary or cyclical nature as well as those of a long term or permanent character. Under these circumstances, the real increase in the Gross National Product in 1960 even though of modest proportions may be viewed with a degree of satisfaction. It also is probable that the real or physical volume of production in 1961 will also be somewhat larger than that of 1960.


Norman J. Alexander

Canada entered 1960, the first year of a new decade with a material amount of capacity in excess of demand and a relatively high percentage of her rising labor force unemployed. Rising competition on world markets from Europe and Japan with their modern plant and equipment constructed in the post-war years and from the growing output of the less developed countries of Africa, Asia and South America was felt very keenly by Canada. To an exporting nation, plentifully endowed with raw materials and with excess resource industrial capacity, such competition imposes special problems so that Canada today is facing one of the greatest challenges in her history.

On the domestic scene, there were the problems of a labor force rising at a rate faster than it is being absorbed; a substantial adverse balance of trade; the heavy inflow of foreign capital funds because of an inadequate rate of domestic capital formation and an almost static condition of non-farm business inventories both in Canada and in the U. S. A.

Situation Now Much Better

The situation in the latter part of 1961 improved considerably. There is a distinct prospect of a surplus for the year in merchandise trade; the inflow of foreign capital funds has eased and despite the increased level of final expenditures, business inventories are beginning to grow.

Detailed statistics on the various segments of the Canadian economy are contained in the attached appendices.* Some comments concerning these figures would, however, appear pertinent.

The Gross National Product in 1960 rose by 3.2% over 1959 to $36 billion. This growth contrasted sharply with the 6.1% increase in 1959. Prices rose some 1.7% in 1960 so that about two-thirds of the gains in the GNP represented increases in actual production. Despite this, however, even the physical increase was only about half that in 1959.

As between the various segments of the economy, there was a lack of uniformity of trends. In general, however, it might be said, that in 1960 the service producing industries grew slightly more than the goods producing industries.

In brief, the rate of growth of the Gross National Product was interrupted in 1960 as the level of economic activity eased in response to downward tendencies in several components of the end product demand. During the first quarter there was a slackening in the growth of total final purchases and business inventories rose appreciably. In the second quarter both final purchases and the value of production declined while business inventories declined by nearly the amount of the increase in the first quarter. Final purchases in the third quarter rose relatively sharply but the renewed strength was only partially reflected in production with the result that business inventories continued to decline. In the final quarter of the year both the end product and inventory demand began to exert an expansionary influence on the Gross National Product. The gains however, were somewhat restricted by a decline in demand for Canadian export products.

In the last quarter of 1960, the Gross National Product was at a record annual rate (seasonally adjusted) of $36,436 million. In the first quarter of 1961, the somewhat softer end product and inventory demand was more than counter-balanced by a substantial advance in outlay for new housing; the material improvement in export demand and continued strength in government expenditures. Despite these gains, however, the Gross National Product declined to an annual rate of $36,012 million because of the unusually sharp increase in dividends paid abroad during the period.

In the second quarter of 1961, the uptrend was again resumed and the Gross National Product rose to an annual rate of $36,280 million. The improvement can be viewed with satisfaction in the light of the drought conditions in Western Canada which had cut net income of farmers by more than 40% when compared with 1960 figures. There was a substantial rise in consumer spending; continued heavy outlay by the government sector and small

Continued on page 51

*Reproductions of statistical data, in part, included in text matter.—Ed.

	1960		1959 - millions -		1958	
Gross National Product		$35,959		$34,857		$32,867
Spent on Consumer goods and services						
Private	$23,409		$22,482		$21,240	
Government	5,128	28,527	4,893	27,375	4,784	26,024
Balance Available		$ 7,422		$ 7,482		$ 6,843
Personal Saving	$ 1,675		$ 1,754		$ 1,674	
Business Saving	5,121		5,062		4,741	
Government*	779		987		359	
Inventory Adjustment	-57		-115		-35	
Residual Error	-96		-206		104	
	$ 7,422		$ 7,482		$ 6,843	
Spent as investment						
Private	$ 6,612		$ 6,894		$ 6,975	
Public	1,508		1,523		1,389	
	$ 8,200		$ 8,417		$ 8,364	
Inventory Change	$ 316		$ 297		$ - 333	
Residual Error	97	$ 8,613	207	$ 8,921	- 105	$ 7,926
Net Balance on Current Account		- $ 1,191		- $ 1,439		- $ 1,083
Inheritance & Migrant Funds - net		-79		-55		-48
Current Account Balance		- $ 1,270		- $ 1,494		- $ 1,131

Balance of International Payments or Capital Account

	1960	1959	1958
Foreign Direct Invest. in Canada	$ 690	$ 550	$ 420
Cdn. Direct Invest. Abroad	-85	-80	-48
Net Transactions in stocks and bonds	218	617	610
All other items	447	407	149
	$ 1,270	$ 1,494	$ 1,131

* Total Government Capital Expenditures less Government Deficit.

McLEOD, YOUNG, WEIR, & COMPANY LIMITED 40 BOND YIELD AVERAGE

		Long Term Dominion	10 Municipal Bonds	10 Provincial Bonds	10 Public Utility Bonds	10 Industrial Bonds	40 Bond Average
1958	Aug. 1	3.96	5.17	4.72	4.87	4.96	4.93
	Sept. 1	4.15	5.17	4.79	4.91	5.01	4.97
	Oct. 1	4.13	5.30	4.97	4.95	5.15	5.09
	Nov. 1	4.31	5.28	5.02	4.96	5.09	5.09
	Dec. 1	4.42	5.27	5.08	5.02	5.12	5.12
1959	Jan. 1	4.48	5.38	5.14	5.14	5.22	5.22
	Feb. 1	4.53	5.41	5.18	5.14	5.17	5.23
	Mar. 1	4.65	5.52	5.17	5.17	5.17	5.26
	Apr. 1	4.80	5.52	5.22	5.20	5.20	5.29
	May 1	4.88	5.55	5.23	5.20	5.25	5.31
	June 1	4.94	5.71	5.39	5.47	5.42	5.50
	July 1	4.94	5.84	5.52	5.47	5.63	5.61
	Aug. 1	4.97	5.86	5.61	5.57	5.60	5.66
	Sept. 1	5.29	6.20	5.97	5.78	5.78	5.93
	Oct. 1	5.80	6.60	6.19	6.01	6.05	6.21
	Nov. 1	5.45	6.53	6.06	6.00	6.03	6.15
	Dec. 1	5.58	6.52	5.97	6.00	6.02	6.13
1960	Jan. 1	5.70	6.60	6.12	6.04	6.14	6.23
	Feb. 1	5.87	6.60	6.19	6.17	6.22	6.30
	Mar. 1	5.63	6.56	6.05	6.14	6.20	6.24
	Apr. 1	5.43	6.24	5.79	6.02	6.00	6.01
	May 1	5.34	6.06	5.74	5.93	5.91	5.91
	June 1	5.22	6.06	5.73	5.83	5.82	5.86
	July 1	5.13	5.88	5.54	5.58	5.56	5.64
	Aug. 1	5.21	5.84	5.51	5.50	5.52	5.59
	Sept. 1	4.82	5.67	5.32	5.37	5.33	5.42
	Oct. 1	4.77	5.61	5.28	5.29	5.24	5.35
	Nov. 1	4.92	5.60	5.40	5.33	5.39	5.44
	Dec. 1	5.35	5.95	5.60	5.54	5.62	5.68

1961	CANADA Medium Term	CANADA Long Term	10 Municipal Bonds	10 Provincial Bonds	10 Public Utility Bonds	10 Industrial Bonds	40 Bond Average
Jan. 1	5.22	5.38	5.97	5.68	5.45	5.61	5.68
Feb. 1	5.18	5.26	5.94	5.70	5.49	5.62	5.69
Mar. 1	5.12	5.13	5.83	5.53	5.47	5.51	5.59
Mar. 30	5.18	5.26	5.85	5.65	5.51	5.61	5.66
May 1	5.10	5.31	5.92	5.74	5.54	5.68	5.72
June 1	5.09	5.21	5.82	5.62	5.48	5.60	5.63
June 30	4.83	4.98	5.71	5.37	5.37	5.47	5.48
Aug. 1	4.87	4.99	5.62	5.39	5.35	5.42	5.45
Sept. 1	4.83	4.96	5.60	5.38	5.39	5.43	5.45
Oct. 2	4.89	5.02	5.63	5.45	5.37	5.42	5.47
Nov. 1	4.77	4.92	5.56	5.36	5.37	5.35	5.41

Source: McLeod, Young, Weir & Company Limited - 50 King St. W. Toronto.

Mr. & Mrs. William W. Hibberd, *Trust Company of Georgia*, New York; Mr. & Mrs. Robert C. Mathews, *Trust Company of Georgia*, Atlanta

Mr. & Mrs. Leslie P. Lagoni, *Parker, Ford & Co.*, Dallas; Mr. & Mrs. Leo B. Babich, *Hill Richards & Co.*, Los Angeles; Mrs. James R. Hendrix, Birmingham, Ala.

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increases in exports of goods and services. Business inventories increased but the amount involved was limited. Non-residential construction was practically unchanged from the previous quarter but there was a sharp decline in expenditures for new plant and equipment. Residential construction was also off approximately 5%. Figures for residential construction for the second half of 1961 are expected to show a material improvement over the first half.

National Income

During 1960, National Income rose $699 million or 2.6% to a total of $27,375 million. The increase was modest when compared with the $1,732 million increase—or nearly 7% in 1959. Major changes were an increase of $753 million or 4.2% in labor income to $18,514 million and a decline in corporation profits before taxes (excluding dividends paid to non-residents) of $172 milliion or 5.9% to $2,735 million.

Unincorporated business income of $2,105 million was $113 million lower than in 1959. Net farm income after inventory adjustments improved $70 million to $1,207 million and there was a moderate improvement of $85 million to $2,362 million in rent, interest and miscellaneous investment income.

Consumption

During 1960, $23,409 million was expended by persons on consumer goods and services which was an increase of 4.1% over personal expenditures in 1959. Amounts spent on durable goods showed very little change from 1959 whereas expenditures on non-durables were up about 4% and there was a 5% rise in expenditures on services.

Government expenditures for consumer goods and services rose nearly 5%. At the same time government capital expenditures rose by $65 million or 4.3% to $1,588 million. All of the increase in capital spending was at provincial and municipal levels as Federal expenditures for capital account were slightly lower.

Foreign Trade

Exports of merchandise in 1960 rose by $251 million or 4.9% to $5,400 million. Imports declined by $24 million to $5,548 million so that there was an adverse balance of trade of $148 million —a marked improvement from the adverse balance of $423 million of 1959. The pattern of exports during the year was irregular being at a very high rate in the first quarter; declining sharply in the second, only to recover again in the third and easing off in the final quarter. Exports to the United States at $3,039 million were $150 million below 1959 while exports to all other countries increased almost 20% or $401 million over 1959 to $2,361 million.

Non-merchandise transactions in 1960 increased to an adverse net total of $1,122 million and brought the current account adverse balance position to $1,270 million. This compares with the 1959 current account balance of $1,494 milloin of which non-merch ndise items were $1,071 million.

The highlights of the Canadian economy in 1960 together with comparative figures for 1959 and 1958 are given in the following tabulation:

Security Markets

During 1960, there was a marked decline in the amount of both new Canadian issues coming on to the security markets and the net borrowing from the chartered banks for capital purposes. The total amount of net new issues of securities of all descriptions declined to $1,894 million as compared with $2,279 million in 1959 and the peak of $3,054 million in 1958. The decline was spread fairly proportionately across all divisions of security issues with the main exception of corporate bonds where the net new issues totaled $243 million in 1960 as compared with $102 million in 1959. This increase in corporate bond issues was more than offset, however, by the decline in new corporate stocks from $406 million in 1959 to $227 million in 1960.

Prompted, no doubt, by the government's efforts to reduce the very substantial adverse balance in Canada's International Current Account there was a sharp drop in net new issues payable in other Canadian currencies. The total for 1960 was $102 million as compared with $221 million in 1958.

Net new issues of Canadian securities in the first half of 1961 totaled $956 million and was relatively unchanged from the $1,060 million in the corresponding period of 1960. In the first half of this year net new issues payable in foreign currencies only amounted to $21 million.

The effects of the heavy private demand for credit, particularly bank credit, which had built up in 1959 continued into 1960. The combination of heavy sales of new securities by the Federal Government, the sales of portfolio investments by the banks to finance demands for credit, heavy bond offerings by provinces, municipalities and corporations and the "disinvestment" of government accounts in the early part of 1960 resulted in a sharp rise in bond yields which reached their peak during the month of February. The trend then changed and

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yields declined fairly steadily until October, 1960 when they again began to rise. This continued until February, 1961 where they levelled off. Since that time yields have slowly worked their way a little lower with this trend being more evident in the short end of the market.

The Money Market of 1960 was characterized by wide swings. Ninety-day Treasury Bills started off the year on a 5.14% basis following a decline from a 6.16% yield in August, 1959. The low for 1960 was a 1.68% basis in September and they ended the year at a 3.25% yield. During 1961 up to the end of October, the 90-day Bill movement has been much more moderate with a high of 3.34% in April and a low of 2.26% during August. At the end of October the rate was 2.50%.

Industrial Production

Index of Industrial Production
Seasonally Adjusted
1949 = 100

		Total Index	Mining	Manufacturing	Electricity & Gas Utilities
1959	June	167.2	247.3	151.5	269.6
	July	166.1	247.9	150.7	260.9
	Aug.	164.9	246.0	148.9	270.6
	Sept.	168.4	263.9	150.4	280.7
	Oct.	171.1	259.6	154.2	278.1
	Nov.	167.8	264.1	149.3	285.3
	Dec.	169.4	257.1	152.1	284.9
1960	Jan.	172.4	256.2	155.6	287.5
	Feb.	170.4	260.6	152.6	288.9
	Mar.	171.7	263.8	153.0	299.6
	Apr.	166.8	251.5	149.2	293.0
	May	167.3	256.4	149.0	296.0
	June	166.9	249.6	149.0	302.1
	July	164.0	250.8	145.7	297.8
	Aug.	165.6	249.1	146.8	314.6
	Sept.	167.6	255.2	148.4	314.4
	Oct.	166.9	246.1	149.5	301.4
	Nov.	165.9	252.2	147.7	298.9
	Dec.	166.0	248.3	147.8	305.6
1961	Jan.	165.8	254.6	146.8	305.8
	Feb.	166.3	253.6	147.6	303.9
	Mar.	165.5	242.7	148.1	302.5
	Apr.	168.7	258.4	149.4	312.2
	May	169.3	266.6	148.4	325.5
	June	172.5	264.3	152.5	323.5

Source: Dominion Bureau of Statistics
Canadian Statistical Review

New Deals

These are strenuous times in both financial and economic Canada, as government, finance, business and industry seek means of putting the economy back into high gear and solve such knotty problems as adverse balances of payment on Current Account, government deficits, unemployment and the financing of our activities. Many of these problems are interlocking which makes the situation more complicated. As is to be expected, there is a wide diversity of views as to remedial methods all of which makes objective reporting difficult.

One of the most controversial subjects in Canada in the past two years has been the respective roles that are to be played by monetary policies in prompting the economic and financial welfare of the nation. Following the 12% increase in money supply in 1958 to support the large Conversion Loan operation and Federal deficits which produced pronounced inflation fears, the money supply was held almost constant between October, 1958 and October, 1960. This policy was in the face of a rise of nearly 8½% in the Federal net debt, with increases of similar proportions in provincial and municipal debt plus a 9% increase in the Gross National Product promoted accusations of an unnecessary "tight money" policy that was hindering the Nation.

Without attempting to appraise the merits or otherwise of the money policy, it should be pointed out that the Canadian Chartered Banks remained in an excellent liquid position with their liquid asset ratio much in excess of the minimum requirements of 15%. General loans of the chartered banks which had declined from a peak of approximately $5.1 billion in August, 1959 to a low of $4.6 billion in February of 1960 had increased fairly steadily during 1960 and at the end of the year were approximately $5 billion again. After holding relatively constant for the first quarter of 1961, general loans again began to increase and by the end of the third quarter they had increased to a record high point of $5.6 billion. Despite this, however, the liquid asset ratio had built up to approximately 19%. It is also interesting to note that apart from the usual dips that occur each year at the time of the annual offering of Canada Savings Bonds, personal savings accounts in the chartered banks had continued to grow steadily and by the end of October, 1961 were in excess of $7.7 billion, an increase of nearly $1 billion since September, 1958.

In the final four months of 1960 Canada's money supply was increased close to 1% per month. These were the first increases since September, 1958. During the first half of 1961, subject to seasonal fluctuations, the money supply was held relatively constant. It then began to rise again. Between the beginning of September, 1960 and the end of October, 1961 the total increase amounted to approximately 9¼%. On an annual basis between October, 1958 and October, 1961 the increase in money supply has been 3% a year.

The Coyne Controversy

In the spring of 1961, a bitter and disturbing controversy developed between the Minister of Finance and the Governor of the Bank of Canada as to the relative functions and responsibilities of the respective fiscal and monetary policies. This culminated in the resignation of Mr. James E. Coyne as Governor of the Bank of Canada.

With the appointment in July, 1961, of Mr. Louis Rasminsky, who is widely known and respected in International monetary circles, to replace Mr. Coyne as Governor, Canada's financial community heaved a large sigh of relief as for a number of months the bond and money markets had continued to operate on their own momentum but without direction. While to date there has been no official announcement of changes in fiscal or monetary policy, it is evident that with Mr. Rasminsky's appointment a new period of close relationships between the government and the Bank of Canada and between the bank and the financial community is developing.

Because of her export trade, the trend of economic events in Canada is heavily influenced by the course of economic activity of other nations and in particular the United States. Under these circumstances, the 5% increase in Canada's export trade in 1960, as compared with a 10% increase in the value of goods entering the channels of world trade and a 20% rise in the U. S. merchandise exports, was most disappointing and particularly so as Canada continued to run both a trade and International current account deficit.

New Tax Policy on Investments

During the past 12 months, determined efforts have been iniated to improve Canada's trade and financial position. Of particular interest were the steps taken by the government in the Supplementary or "Baby Budget" of Dec. 20, 1960 to stimulate a greater participation of Canadian capital in the ownership of Canadian industry. Investment funds and mutual funds in Canada which qualify as "investment companies" under the Income Tax Act enjoy a special low rate of tax of 21%. Subsequent to 1956, there were no regulations as to the percentage of investments which should be in Canada. New regulations were introduced in the Budget that require that corporations desiring to qualify as "investment companies" for tax

Balance of Payments on Current Account

	Exports	Imports	Balance	Non Merchandise (net)	Current Account Balance
	- - - - millions of dollars - - -				
1952	4,339	3,850	+489	-325	+164
1953	4,152	4,210	-58	-385	-443
1954	3,929	3,916	+13	-445	-432
1955	4,332	4,543	-211	-487	-698
1956	4,837	4,565	-728	-638	-1,366
1957	4,894	5,488	-594	-861	-1,455
1958	4,887	5,066	-179	-952	-1,131
1959	5,149	5,572	-423	-1,071	-1,494
1960	5,400	5,548	-148	-1,122	-1,270

Balance of International Payments on Capital Account

	Foreign Direct Invest	Canadian Direct Invest Abroad	All Transactions bonds and stocks	All Other Items	Overall Balance
	- - - - - millions of dollars - - -				
1952	+346	-77	+125	-558	-164
1953	+426	-63	+158	-78	+443
1954	+392	-81	+167	-46	+432
1955	+417	-74	-51	+406	+698
1956	+583	-104	+727	+160	+1,366
1957	+514	-68	+763	+246	+1,455
1958	+420	-48	+610	+149	+1,131
1959	+550	-80	+617	+407	+1,494
1960	+690	-85	+218	+447	+1,270

Source: Bank of Canada 1960 Annual Report

purposes and to permit their Canadian shareholders to enjoy the 20% tax credit on diviends must, in the future, obtain at least three-quarters of the gross revenue in the form of dividends from taxable Canadian corporations.

Registered pension funds or plans, in Canada, are exempt from income tax and contributions to the plans in almost every case are deductible from income. The Budget provided that in order to continue to enjoy these privileges, pension plans must in future derive 90% of their investment revenue from Canadian sources. Both investment companies and pension plans are given until the end of March 1963 to complete the required adjustments in their portfolios.

A second major change, and one which is of particular interest to U. S. investors, was an adjustment in the "withholding tax." The "withholding tax" exemption of interest on Government of Canada bonds and the 5% special rate on provincial issues was eliminated on all new bonds and they became subject to a 15% withholding tax on interest. The special 5% withholding tax on dividends paid by subsidiaries to non-resident parent corporations was increased to 15% and a 15% tax levy was imposed on profits withdrawn from branches of non-resident corporations. Exceptions to these new regulations were made in the case of banks, life insurance, transportation and communications companies.

Not Aimed at Foreign Capital

When introducing these changes, the Minister of Finance emphasized that they were not intended to block out foreign investors but rather to promote greater use of Canadian capital in Canada and were merely the withdrawal of special incentives, that are no longer required, to attract foreign capital. At the same time it was hoped to remove some of the upward pressure on the external value of the Canadian dollar that was impairing the competitive position of Canadian producers.

The June 1961 Budget was essentially domestic in nature. Nevertheless it contained the announcement of several policies that are worthy of note because of their influence on the financial markets. Of particular interest to non-residents, was the announcement that Canada intended to operate its exchange fund to lower the external value of the Canadian dollar. This was a complete reversal of policy as up to the 1961 Budget the Minister of Finance had flatly rejected the adoption of any such measures by the government. During 1960, the Minister of Finance had no more than one occasion expressed the opinion that the cost of eliminating the premium on the Canadian dollar by use of the exchange fund would in all likelihood by very high. Between the end of June and the end of September, following the Budget Speech, there was actually a reduction of $61 million in the exchange fund hard currency holdings. Included in this reduction was a $50 million payment to the International Monetary Fund. In October, however, the picture changed considerably and the exchange fund had to buy 187 million U. S. dollars to keep the Canadian dollar at a discount of about 3% against the American dollar. This brought the total amount of U. S. dollar holdings of the exchange fund to $2,111 million.

Low Interest Rate Policy

During the Budget speech, the Minister of Finance said it was the determined policy of the government to do everything possible to force down interest rates and in this connection he made three announcements. The first was that the government intended, at least for the next several months, to confine new Federal issues to the "short end" of the market. Secondly, the government was setting up a purchase fund with an initial size of $100 million which would be used to buy Canada mid and long term securities.

The third step to help the Canada bond market was that the entire portfolio of the Unemployment Insurance Fund would be taken over by the Treasury at book values and in exchange, the Fund would acquire interest bearing non-marketable bonds which are to be redeemed by the government as required. The direct Government of Canada bonds held by the Fund would then be cancelled. This would remove about $245 million mid and long term bonds that have been overhanging the market.

Whether these steps will continue to have the desired effect of forcing down interest rates is still questioned by many financial men. The government will require in the order of $1 billion of new money which is a heavy load on the "short end" of the market. This new load might well coincide with the increasing demand for credit by private enterprise particularly on the chartered banks as Canadian industry gets back into high gear. As previously mentioned, general loans of the chartered banks are already at record levels although there is no evidence at present that they are selling off bonds and treasury bills in size to satisfy the demand.

Royal Commission Appointed

Of more than passing interest was the announcement that the government was appointing a royal commission to examine Canada's entire financial struc-

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Chartered Banks

Classification of General Loans

Month End		Business Loans	Personal Loans	Loans to Farmers	Loans to Instituations	Total General Loans
		- - - millions of dollars - - -				
1960	Jan.	3,093	1,044	369	168	4,674
	Feb.	3,101	1,041	351	167	4,659
	Mar.	3,150	1,049	348	167	4,714
	Apr.	3,171	1,078	361	165	4,775
	May	3,208	1,109	370	167	4,854
	June	3,267	1,135	386	168	4,957
	July	3,332	1,141	396	174	5,043
	Aug.	3,259	1,151	421	173	5,004
	Sept.	3,245	1,165	434	178	5,022
	Oct.	3,232	1,173	446	184	5,035
	Nov.	3,256	1,182	441	186	5,064
	Dec.	3,220	1,199	420	194	5,032
1961	Jan.	3,176	1,200	395	191	4,962
	Feb.	3,217	1,194	384	185	4,979
	Mar.	3,267	1,212	392	182	5,053
	Apr.	3,316	1,246	405	178	5,145
	May	3,337	1,284	418	183	5,223
	June.	3,441	1,313	442	188	5,382
	July	3,481	1,346	446	188	5,460
	Aug.	3,547	1,371	462	188	5,568

Source: Bank of Canada Statistical Summary.

Distribution of Canada Direct and Guaranteed Securities

End of Period		Total Outstanding	Bank of Canada	Chartered Banks	Govt. Accounts	General Public: Market Issues	General Public: Canada Savings Bonds
		- - - Millions of Dollars - - -					
	1955	16,000	2,416	3,124	1,491	6,536	2,433
	1956	15,234	2,426	2,524	1,518	6,225	2,541
	1957	15,165	2,463	2,641	1,367	6,045	2,649
	1958	16,416	2,670	3,521	1,258	6,073	2,895
	1959	17,135	2,677	2,811	923	7,513	3,212
	1960	17,747	2,744	3,057	866	7,485	3,594
1960	Jan.	17,224	2,535	2,926	409	7,652	3,203
	Feb.	14,321	2,544	2,920	876	7,808	3,174
	Mar.	17,310	2,598	2,908	833	7,828	3,143
	Apr.	17,296	2,651	2,875	821	7,823	3,117
	May	17,232	2,645	2,956	811	7,735	3,085
	June	17,174	2,663	2,933	779	7,741	3,059
	July	17,106	2,715	2,874	848	7,629	3,040
	Aug.	17,102	2,723	2,905	900	7,556	3,017
	Sept.	17,110	2,676	3,061	907	7,464	3,002
	Oct.	17,366	2,769	3,127	950	7,518	3,002
	Nov.	17,995	2,754	3,095	985	7,527	3,633
	Dec.	17,747	2,744	3,057	866	7,485	3,594
1961	Jan.	17,741	2,637	3,157	882	7,471	3,594
	Feb.	17,730	2,584	3,275	800	7,485	3,585
	Mar.	17,753	2,662	3,309	727	7,493	3,562
	Apr.	17,717	2,739	3,161	728	7,563	3,527
	May	17,687	2,733	3,281	726	7,452	3,496
	June	17,762	2,714	3,381	733	7,462	3,473
	July	17,737	2,799	3,459	748	7,282	3,450
	Aug.	17,885	2,803	3,645	777	7,237	3,424
	Sept.	18,061	2,862	3,662	787	7,351	3,400

Source: Bank of Canada Statistical Summary.

F. Barton Harvey, Jr., *Alex. Brown & Sons*, Baltimore; Avery Rockefeller, Jr., *Dominick & Dominick*, New York; Hudson B. Lemkau, *Morgan Stanley & Co.*, New York

Mr. & Mrs. William W. Pevear, *Irving Trust Company*, New York; Mr. & Mrs. Donald A. Stoddard, *Morgan Guaranty Trust Company*, New York

Hugh Carter, Jr., *Courts & Co.*, Atlanta; Mr. & Mrs. Paul T. Westervelt, *Howard, Weil, Labouisse, Friedrichs and Company*, New Orleans

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ture and institutions. The Honorable Dana Porter, Chief Justice of Ontario, has been appointed Chairman of the Commission. The terms of reference are brief but broad and facilitate a study of all aspects of money, banking, credit and finance. The timing is appropriate as the Bank Act comes up for its decennial review in 1964 and the last major financial study was by the MacMillan Commission in 1938.

To United States citizens whose rights as property owners are protected by the U. S. Constitution, the action of the British Columbia Government in expropriating British Columbia Electric and certain other assets of the parent company, British Columbia Power Corp. Limited, at an arbitrary price, set without an independent appraisal and without the right of appeal to the courts must have been both shocking and incomprehensible.

The action was widely deplored in Canada. The President of the Investment Dealers' Association of Canada dispatched a strongly worded message of condemnation. Other competent bodies both in Canada and elsewhere took similar action not so much against the actual expropriation but at the arbitrary price which without express permission of the G. C. Government could not be reviewed in the courts. Unfortunately, under the Canadian Constitution (The British North America Act) the injured party must seek permission from the B. C. Government to proceed against the Crown. The Corporation on behalf of its shareholders has filed a "petition of rights" but to date of writing the B. C. Government has anounced no decision in this respect.

Legality Attacked in the Courts

The legal ramifications of the csituation are considerable and a discussion of same is beyond the scope of this report. No efforts are being spared by the B. C. Power Corporation lawyers in trying to bring the case before the courts. In a surprise move on Nov. 13, 1961, B. C. Power Corp. asked the British Columbia Supreme Court to rule that the Provincial Government did not have legal power to expropriate its former wholly owned subsidiary, British Columbia Electric. If the court rules that the Provincial Government was within its legal powers, B. C. Power then asks that the Supreme Court set a price as "full compensation" for B. C. Electric.

In the meantime, some minor concessions have been obtained from the B. C. Government. Originally, holders of the B. C. Electric preferred shares were to exchange their holdings par for par into perpetual bonds with the same coupon rate. They are now able to take 25 year bonds or convert the perpetual bonds into 25 year bonds.

Britain's proposed entry into the European Economic Community or Common Market has special significance to Canada as a member of the Commonwealth. Opinions are sharply divided as to what effect this step will have upon Canada's existing trade and prospects for future expansion. One school of thought in which members of the government are prominent, contends that Canadian trade would be damaged if it is necessary to work under the external tariff arrangements of the Common Market. The other school of thought argues that it is necesary for Britain to seek its own economic salvation and Canada in the long run will benefit more with Britain economically strong and Europe politically strong.

Conclusion

There is little question now that the Canadian economy is experiencing a moderately healthy upturn which should carry well into 1962. The Dominion Bureau of Statistics Industrial Production Index in August advanced to a record level of 175.1. Durable goods production has shown an uninterrupted rise since January. It now looks as if, for the first time in a number of years, Canada will have a surplus in her merchandise trade. The GNP is rising and corporation profits are begininng to improve and with the increased production unemployment has decreased at more than seasonal rates.

Respectfully submitted,

CANADIAN COMMITTEE

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Report of IBA Investment Companies Committee

Herbert R. Anderson, President of Distributors Group, Incorporated, New York City, was this year's Chairman of the Investment Companies Committee and, in that capacity informed the Convention as follows:

Total sales of mutual funds in 1961 apparently will be in the range of $2¾ to $3 billion, a level 20% or more above the previous peak year. While redemptions of the approximately $21 billion industry apparently will exceed $1 billion for the first time, net sales in 1961 will record a substantial new high. By way of perspective, this year's gross sales are about equal to the total assets of all mutual funds ten years ago, and we need go back only to 1949 for the time when total assets were no greater than this year's net sales.

Herbert R. Anderson

In terms of people, total shareholder accounts are now close to 5½ million held by an estimated 2¾ million individual investment accounts. These are large numbers in absolute terms. Their relative importance may be made plainer when it is pointed out that more than 20% of all holders of corporate securities own some mutual funds, and at least 10% of the total hold no other corporate security.

Underlying Forces

The continuously broadening use of investment company shares suggests that some general discussion of this development would be of interest to the entire IBA membership.

It has been said that most new ideas pass through three stages. Initially they are often thought to be "offbeat," ridiculous or disturbing. After a time, if they are sound, they become tolerated and subsequently they are accepted as self-evident truths.

To the extent this is true, the three stages would rarely be reached by all people at the same time, so there doubtless are those with each attitude toward any new development at any given time.

A lot of trouble in the world today seems to stem from a lack of definition so, before going any further, a simple restatement of just what an open-end investment company or mutual fund is may be in order. A mutual fund is no more or less than a commingled investment account, made easy to acquire or dispose of on an agreed-upon basis, that is aimed at a particular—and stated—investment result and operated within clearly defined policies. Other than within this broad definition, one mutual fund is no more necessarily similar to another than is any one of the individual accounts within any investment firm or brokerage office the same as all others. Using commonly understood military terms, there are mutual funds with all gradations of strategic objectives as between income, growth and stability and then, touching on the area of "risk tolerance," there is a further range in the tactics through which even similar objectives may be sought.

But, regardless of this (wholesome, we believe) diversity of form and substance, there are attributes and developments generally considered common to all —and it is these which we believe underlie the transition that appears to be taking place in the case of mutual funds from their earlier consideration as "another security" to their becoming a widely accepted consumer service.

The sale of liberty bonds to the public generally during World War I is often credited with stimulating and advancing the public's interest in saving and investing. Whatever the cause, personal savings and investment in fixed dollar commitments probably have grown more startlingly over a somewhat longer period than the growth of investment companies in more recent years.

(Since 1915, deposits in mutual savings banks have increased from $3.9 billion to $36.3 billion, investments in savings and loan associations from $1.48 billion to $71.4 billion and total assets of life insurance companies from $5.2 billion to $119.6 billion, percentage gains of 831, 4,724 and 2,204.)

Fixed Dollar Investments on The Defensive

Meanwhile, two other fundamental facts of far-reaching importance have also occurred—(1) a distressingly constant and substantial erosion in the value of the saved dollar and (2) a most impressive long-term growth in the dividends and price of common stocks. In other words, the public has had two strong forces driving them toward equity investment, and frankness would require it to be said that those offering fixed dollar forms of investment to the public generally have been placed on the defensive to that extent.

(The so-called "variable annuity" is one reflection of this. The consideration by savings banks in New York State of the possibility of their offering a mutual fund to depositors is another, as is the tendency by some banks to offer their common trust funds to the public generally. In the latter case, the Board of Governors of the Federal Reserve System is considering an amendment to its Regulation "F" to curb this activity and insure that the common trust fund is restricted to its use with bona fide fiduciary accounts, as was intended.)

Mutual funds are not the only sound way to share in the ownership of common stocks. However, they do provide many conveniences. They do tend to eliminate the problems of "choice and change." In addition, the selective diversification they provide within a stated field probably offers the greatest possible assurance of the investor's participation in the kind of investment results he seeks—and this may well be the fundamental fact underlying the industry's continued growth.

(That this is important is suggested by some rather interesting figures that indicate the problem of investors, sensed or understood, in actually achieving this result through individual stock selection. For example, using only those stocks that are listed on the New York Stock Exchange, we find as of a recent date that "the market" as measured by the Dow-Jones Industrial Index was about 35% above its 1955-57 highs. Yet 15 of the 30 stocks in this Index were below their individual '55-'57 highs by an average of 23%. Taking all stocks on the New York Stock Exchange, we find that 43% are still below their individual 1955-57 highs, some by substantial amounts. And even more startling, about one-third of all the stocks on the New York Stock Exchange that were listed then and now are still selling below their 1946 highs when the Dow high was less than one-third its persent level.)

Let's examine this development from another viewpoint. We all know our population has increased. The more important financial fact is that, coincidental with the nation's growth of population, the national income has become much more broadly spread. In other words, we not only have a lot more people but a higher proportion who are able to invest.

(Taking the 10 years ending in 1957, the latest date for which such figures are available, we find, first, that the number of "consumer units" increased by nearly 20%, from 44.7 million to 53.7 million—more people earning. We then find that the proportion earning more or less than $4,000 was exactly reversed over the 10 years. In other words, in 1947, 63% earned less than $4,000, and 37% earned more, whereas of the greater number in 1957, 37% earned less and 63% earned more. If the break is made at $6,000, the percentage earning above that figure increased during these 10 years from 17% to 38%, a gain of 120%.

Possibly even greater significance may be attached to these figures when they are adjusted for the change in living costs. In other words, on the basis of dollars of constant (1957) value, 49% of all "consumer units" earned less than $4,000 in 1947, and 51% earned more as compared with 1957 when 37% earned less and 63% more. Using the $6,000 break point, there was an increase of nearly 50% in those earning more than $6,000 in 1957 than in 1947, i.e., 38% as compared with 26%.)

The next point probably is arguable but there is reason to believe that Social Security, and the substantial growth in use of employee retirement plans generally, has caused people to become more conscious of retirement planning. As long as people see little or no hope of accumulating a sufficient amount to be significant they tend to do nothing, but as a base is provided through these other media, the possibility of adding some further margin of comfort appears often to become sufficiently possible of achievement to warrant doing something about it.

In short, we believe that the increasingly effective sales efforts in the sale of mutual fund shares are the result of these relatively fundamental forces and factors, rather than being the cause of the industry's growing importance.

From the standpoint of our national interest, the more widespread ownership of equity securities to which mutual funds contribute so much is certainly constructive. The whole base of the free enterprise system — "people's capitalism"—is thereby broadened while capital formation is increased.

Investment Company Institute

Mention should be made in this report of the recent change whereby the National Association of Investment Companies has become the Investment Company Institute. Organized 20 years ago as an Association of issuers, or operating companies, this change broadens the base of membership to include investment advisers and underwriters of investment companies. While still a voluntary Association, the new Investment Company Institute is believed to be in a position to more effectively represent all phases of the industry.

In view of the substantial size and still accelerating growth in the public acceptance of mutual funds, it is not surprising that somewhat continuous inquiry should be made into their structure and operation. Physical checks-ups are good for people. A similar examination of any business, that can discern, isolate and remove possible weaknesses, should add to its strength.

Constructive Analysis Welcomed

Today's investment companies, of course, have grown to their present stature and public acceptance under carefully drawn statutes that regulate their operation and prescribe disclosure standards that are unique in today's business world. Significantly, these statues —and particularly The Investment Company Act of 1940—represent the cooperative effort of the authorities and those in the business.

To the extent current inquiries seek to examine the effectiveness of these statutes, and whether im-

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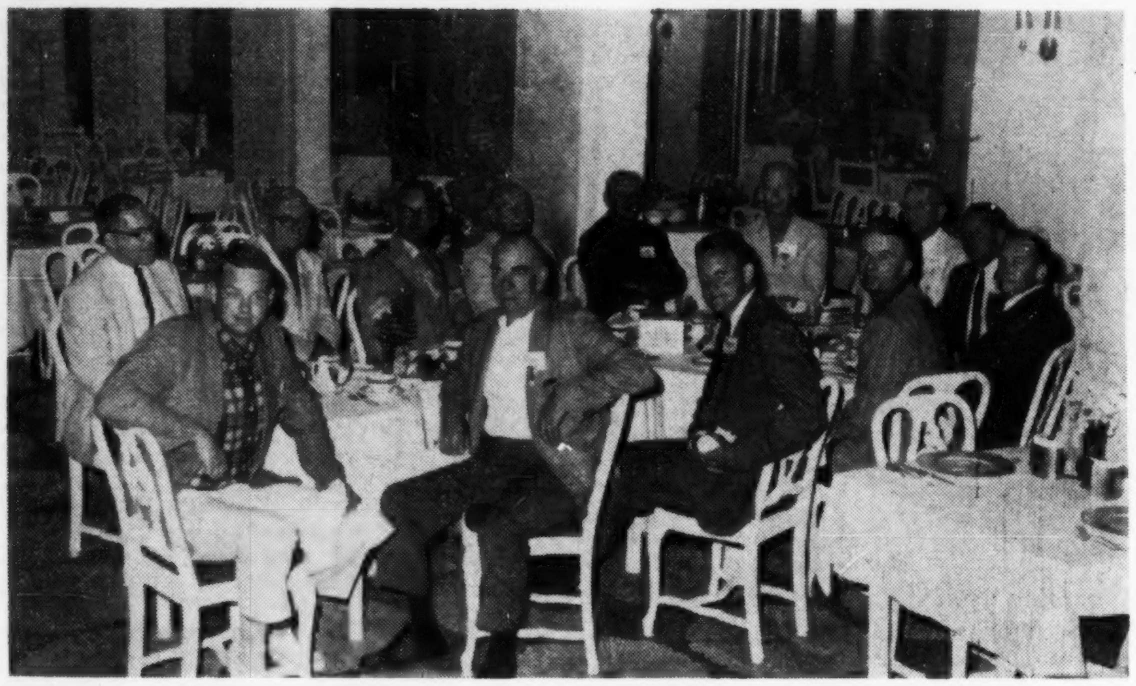

Investment Companies Committee, Breakfast Meeting—Herbert R. Anderson, *Distributors Group Incorporated*, New York, Chairman

G. Powell Davis, *Investment Corporation of Virginia*, Norfolk, Va.; C. Wiley Grandy, *Investment Corporation of Virginia*, Norfolk, Va.; Mr. & Mrs. Glenn Miller, *Cruttenden, Podesta & Co.*, Chicago

Continued from page 55

provements in the basic operation of investment companies can and should be made, they are generally welcomed. Those in the business have the same purpose. To the extent, however, that these inquiries simply challenge or seek to deny the profit that should accrue to a successful business enterprise, they strike at the basic motivation through which the services and products offered to the American public in a competitive market continuously are improved. And that is everybody's business.

Significant Special Services

More than two-and-a-half million present shareholder accounts of mutual funds—about 45% of the total number—are now regularly adding to their investment through the accumulation and dividend reinvestment plans offered by investment companies. Illustrating the adaptability of the investment company vehicle to the needs and objectives of people, the relatively new Remittance or Withdrawal Plans now number close to 30,000, represented by accounts with a present value of about $500 million.

Perspective on Size

This report has mentioned the size and growth of mutual funds, but not to relate these to the environment within which they have been achieved would omit a quite material fact.

For example, in 1940, when the assets of mutual funds were less than $500 million, their holdings of New York Exchange listed issues amounted to an estimated three-quarters of 1% of the total value of all such listed issues. Today, with fund assets increased more than 40 times, this figure is still less than 4½% and, of course, they hold a substantially lesser percentage of issues traded in other markets.

As for their market activity or influence, the net purchases of mutual funds in 1940 were small, at an estimated one-quarter of 1% of total trading volume on the New York Stock Exchange. However, today the figure is still no more than an estimated 2.5% of this year's trading volume.

Your committee appreciates the opportunity to present this report and hopes it has been of interest.

Respectfully submitted,

INVESTMENT COMPANIES COMMITTEE

Herbert R. Anderson, Chairman
Distributors Group, Inc.
New York, N. Y.

George D. Aldrich
The Parker Corporation
Boston, Mass.

Hunter Breckenridge
McCourtney-Breckenridge & Co.
St. Louis, Mo.

Robert E. Clark
Calvin Bullock, Ltd.
New York, N. Y.

Howard B. Dean
Harris, Upham & Co.
New York, N. Y.

Henry Earle
First of Michigan Corp.
Detroit, Mich.

Charles F. Eaton, Jr.
Eaton & Howard, Inc.
Boston, Mass.

Hugh W. Long
Hugh W. Long & Co., Inc.
Elizabeth, N. J.

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Massachusetts Life Fund Distributors, Inc.
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George Meyer
Bache & Co.
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Walter L. Morgan
Wellington Co., Inc.
Philadelphia, Pa.

Robert L. Osgood
Vance, Sanders & Co., Inc.
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Harry I. Prankard, 2nd
Lord, Abbett & Co.
New York, N. Y.

Albert C. Purkiss
Walston & Co., Inc.
New York, N. Y.

Andrew G. C. Sage II
Lehman Brothers
New York, N. Y.

Henry J. Simonson, Jr.
National Securities & Research Corp.
New York, N. Y.

Charles M. Werly
Putnam Fund Distributors, Inc.
Boston, Mass.

Carlton P. Wilson
Robert W. Baird & Co., Inc.
Milwaukee, Wis.

Report of IBA Small Business Committee

Harvey B. Gram, Jr., Partner, Johnston, Lemon & Co., Washington, D. C., headed the Small Business Committee, Report of which was as follows:

During the past year your committee has continued to watch developments, legislative and otherwise, affecting small business generally but has devoted most of its attention to the Small Business Investment Company program being administered by the Small Business Administration under the law authorizing such investment companies which was passed by the Congress in 1958. Because of the widespread interest in this new financing tool, the public offerings of stock of SBIC's, and legislation pending before the Congress to change the 1958 Act, we held an open meeting of our committee at the Spring meeting of the Board of Governors at White Sulphur and invited all those present who were interested to participate in the consideration of this subject. We were fortunate in being able to get Mr. Phil David Fine, Deputy Administrator of the Small Business Administration, and who is in charge of the SBIC program, to address the meeting. At that time he gave an admirable summary of the background of this program, a report on its progress to that date and discussed in some detail the legislation then pending before the Congress which was in large part designed to liberalize the basic law and make it more effective. Following his talk there was an extended question and answer period. Subsequently, he made available to us a number of charts which he used in connection with his presentation and we made these available to members of the committee and others who were interested.

Harvey B. Gram, Jr.

Lauds SBIC Official

This open meeting of our committee at the Spring Board Meeting was so successful that we decided to duplicate it at the Convention because liberalizing legislation has been enacted in the interim and, of course, there have been other developments in the program. Again, we were successful in securing Mr. Phil David Fine, Deputy Administrator of the Small Business Administration, to address an open meeting on "Small Business Financing" as your Convention program indicates. For the benefit of those who were unable to attend this meeting a copy of Mr. Fine's formal remarks are attached to this report. **[Ed. Note: We reproduce elsewhere in this issue the text of Mr. Fine's talk at the Convention.]**

During the course of the year your committee has received a number of requests for information as to services and other reports available which provide data on and analyses of small business investment companies and reports generally in this area. For the benefit of those interested in such matters, we list, without necessarily endorsing, the following:

(1) The SBIC Evaluation Service which is published monthly by S. M. Rubel and Associates, 53 W. Jackson Blvd., Chicago 4, Ill. This Service is what its name implies and contains a price index, data on book value, price premium, average portfolio yield, percentage of funds invested, total funds invested, etc.

(2) The SBIC Newsletter, 927 15th Street, N. W., Washington 5, D. C., which is published twice a month and reports generally on developments in this field.

(3) Keyfax Publications, Inc., Sherman Oaks, Calif., a very new publication in this field.

For those interested in the substantive changes in the 1958 Act which were made by the Small Business Investment Act Amendments of 1961, and also other legislative enactments of the First Session of the 87th Congress having to do with small business, we call your attention to a compendium of these items which was put in the *Congressional Record* by Senator Sparkman on Sept. 27, 1961, a copy of which is attached to this report as Appendix I.

Your committee wishes particularly to express its thanks to Mr. Fine for his cooperation and helpfulness during the past year. We also wish to acknowledge the cooperative helpfulness of the National Association of Small Business Investment Companies. We welcome suggestions from the membership as to how the committee can be more helpful and useful in this area.

Respectfully submitted,

SMALL BUSINESS COMMITTEE

Harvey B. Gram, Jr., Chairman
Johnston, Lemon & Co.
Washington, D. C.

Leo B. Babich
Hill Richards & Co., Inc.
Los Angeles, Calif.

Gordon E. Cadwgan
G. H. Walker & Co.
Providence, R. I.

Aims C. Coney
A. E. Masten & Co.
Pittsburgh, Pa.

John S. Hilson
Wertheim & Co.
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V. Theodore Low
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Gerald P. Peters
Peters, Writer & Christensen, Inc.
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Leo L. Quist
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Craig Severance
F. Eberstadt & Co.
New York, N. Y.

Wickliffe Shreve
Hayden, Stone & Co.
New York, N. Y.

APPENDIX I

The Small Business Legislative Accomplishments of the 1st Session, 87th Congress.

Extension of Remarks
of
HON. JOHN SPARKMAN
of Alabama
IN THE SENATE OF THE UNITED STATES
Wednesday, September 27, 1961

MR. SPARKMAN: Mr. President, I ask unanimous consent to have printed in the Appendix of the Record the small business legislative accomplishments of the 1st session, 87th Congress.

There being no objection, the address was ordered to be printed in the *Record*, as follows:

Year after year, since 1950, when the present Small Business Committee of the Senate was established by Senate Resolution 58, the Congress has expressed its concern for the welfare of the Nation's small businessmen by the enactment of legislation designed to foster and promote a healthy small business community. No session of Congress in the past decade has adjourned without adding to the legislative arsenal of small business new weapons to help the Nation's small and independent enterprisers wage their oftentimes desperate struggle for survival on today's business battleground.

Perhaps mindful of the growing casualty lists mirrored in the mounting number of small business bankruptcies, the 1st session of the 87th Congress agaiin demonstrated its awareness of the problems of small businessmen through the enactment of various measures to strengthen the small business segment of our economy. In summarizing these at this time, I cannot let the occasion pass without taking notice of the combined efforts of the members of the Senate Small Business Committee to help small businessmen hurdle many of the obstacles which stand between them and the successful conduct of their enterprises. Without stint the members gave of their time and energy to make it possible for the owners and managers of small concerns, if not to overtake, at least to stay competitively within shouting distance of their larger and more powerful rivals. In no slight measure, these efforts of the committee members were responsible for the enactment of significant small business legislation during the first session of the 87th Congress.

When Congress passed the Small Business Investment Act of 1958, it in effect added a significant new dimension to the Nation's banking system by creating a new primary source of credit in the form of small business investment companies. The response of the investing public to the idea of small business investment companies has exceeded expectations. Today there are in existence 386 investment companies licensed by the Small Business Administration. These have aggregate capital in excess of $300 million available for long-term loans and equity capital for small business enterprises. Even so, as with all new and original concepts, it became evident that opportunities existed for improving and expanding the SBIC program, chiefly by means of making the formation of SBIC's more attractive to the investing public.

New Incentives Provided

With this as an objective, Congress passed S-902-Public Law

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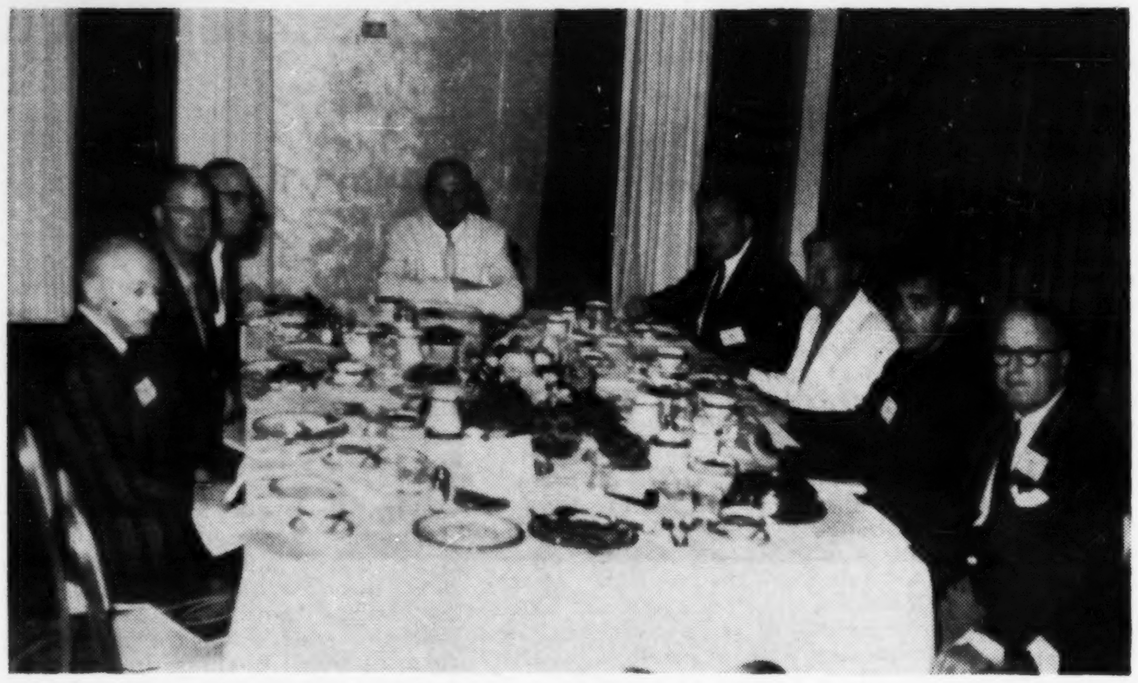
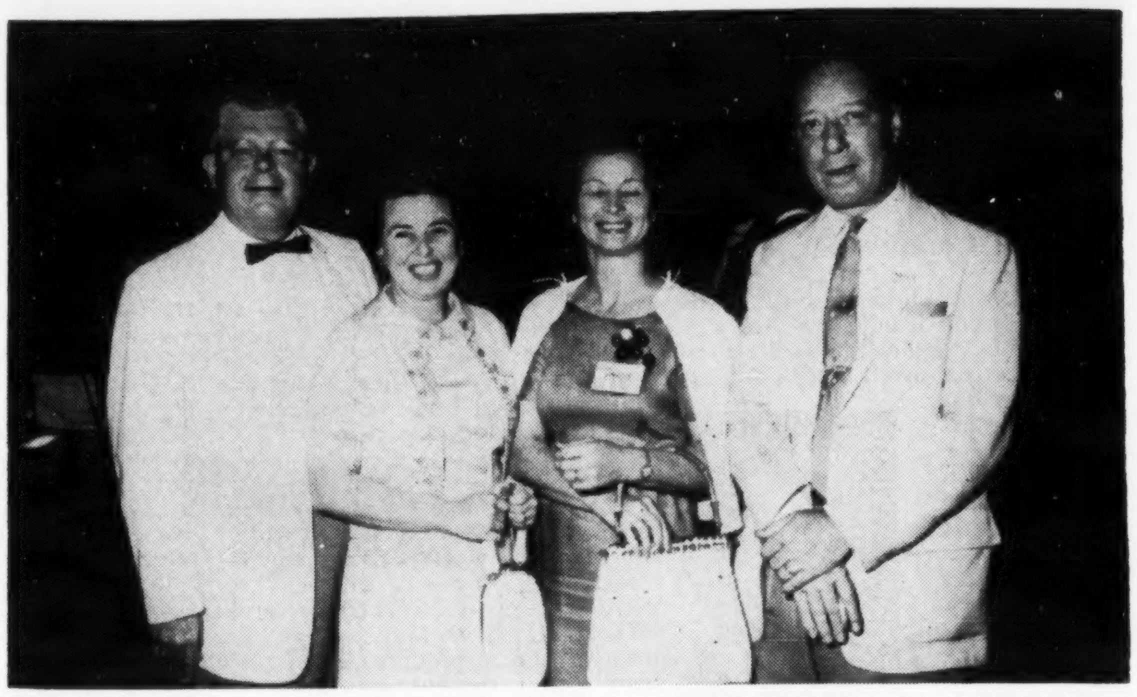


Small Business Committee, Breakfast Meeting—Harvey B. Gram, Jr., *Johnston, Lemon & Co.*, Washington, D. C., Chairman



Mr. & Mrs. Milton F. Lewis, *A. G. Becker & Co. Incorporated*, New York; Mr. & Mrs. Paul F. Genachte, *Chase Manhattan Bank*, New York

Continued from page 57

87-341-the Small Business Investment Act Amendments of 1961, to offer new incentives for the formation of SBIC's. These incentives took the following forms:

(1) The amount of subordinated debentures in an SBIC which the Small Business Administration may purchase was raised from \$150,000 to \$400,000.

(2) Banks may now invest 2% of their capital and surplus in SBIC's. Previously banks could only invest 1% of their capital and surplus in SBIC's.

(3) The amount of section 303(b) loans which SBA may make to an SBIC is set at 50% of capital and surplus, with a limit of \$4 million to any single investment company.

(4) The amount of funds which an SBIC may lend to any one business firm was limited to \$500,000, unless the SBA grants an exception.

(5) SBA was given broad powers to investigate and issue cease-and-desist orders against SBIC's. After a hearing, SBA can suspend the license of an SBIC. Licenses, however, may not be revoked without Federal court action.

(6) An additional \$75 million was added to SBA's revolving fund for SBIC operations, an increase from \$250 million to \$325 million.

(7) SBIC's may now cooperate with lenders and investors, whether incorporated or unincorporated, in furnishing funds to small business firms. Previously, such cooperation could only be extended to other lending institutions.

Two steps were taken during the 1st session of the 87th Congress to increase the effectiveness of the Small Business Administration as the champion of small business. H.R. 8762-Public Law 87-305—approved Sept. 26, 1961, increased SBA's revolving fund by \$105 million, thus assuring the agency funds to operate its lending programs throughout fiscal year 1962.

Additional Legislative Stimulants

Additionally, Public Law 87-305 laid the foundation for a program designed to increase the role of small concerns as subcontractors on Government procurements. Under its provisions, SBA, the Defense Department, and the General Services Administration must within 90 days from the date of enactment develop cooperatively a small business subcontracting program. Before any regulations governing this program are issued by the Defense Department and GSA, the concurrence of SBA must be obtained. Lacking this, points of disagreement must be referred to the White House for resolution.

No summary of legislation helpful to small business concerns passed during the 1st session of the 87th Congress would be complete, Mr. President, without mention of the following enactments:

S. 2325—Public Law 87-311—should encourage small business to enter the world trade market by clarifying the authority of the Export-Import Bank to insure, co-insure, and reinsure U. S. exports and foreign exports doing business in the United States in an aggregate amount outstanding at any one time of \$1 billion against political and credit risks of loss stemming from export activities.

S. 1922—Public Law 87-70—authorized the Small Business Administration to make disaster loans to a small business which has suffered substantial injury as a result of its displacement by federally aided urban renewal or highway construction program or any other construction program which was financed by Federal funds.

S. 1—Public Law 87-27—Area Redevelopment Act, extended indefinitely the authority of the Small Business Administration, due to expire June 30, 1961, to make loans to State and local development companies. In commenting on this provision, the House Banking and Currency Committee's report on S.1 stated: "These loans can greatly benefit areas of substantial and persistent labor surplus and will, therefore, promote the general purposes of the area redevelopment bill. * * * Through March 17, 1961, loans totaling \$10,700,000 had been made * * * under this authority. * * * No losses have been incurred to date."

Mr. President, these accomplishments of the 1st session of the 87th Congress with respect to small business legislation will undoubtedly help to improve the competitive position of our more than 4.5 million small and independent enterprises.

There remain, however, some important small business measures on which congressional action has not been completed. In the fields of tax relief and antitrust enforcement several bills that were introduced in the first session will again be considered when Congress convenes in January 1962. It is my hope that careful and prompt action on these measures next year will make it possible for the 87th Congress to go down in history as a Congress which left no doubt about its desire to strengthen our free enterprise system by fostering and encouraging small businesses to enjoy a healthy growth along with our rapidly expanding national economy.

Report of IBA Railroad Securities Committee

James L. Sheehan, Partner in Dick & Merle-Smith, New York City, and Chairman of the Railroad Securities Committee, presented the following Report to the Convention.

Since the end of World War II seven major studies of transportation have been made and publicized. They contained numerous constructive recommendations for the modernization of transportation policy and the promotion of a higher degree of financial strength for common carrier transportation. The failure to accomplish little more than minimum progress with respect to a modernized transportation policy and regulatory philosophy is one of the principal reasons why the railroad industry continues to be a notoriously weak segment of our economy.

James L. Sheehan

To a degree, in certain instances more than others, railroad management also should be charged with some part of the responsibility for the present predicament of the industry. It is our opinion that railroad management should be more cooperative and more statesmenlike in coping with general problems of public transportation.

Unless appreciable and rapid progress is made in dealing with the problems, the survival of the railroad industry as an integral part of our free enterprise system is seriously in jeopardy and government ownership and operation would appear to be inevitable.

Figures Tell the Story

There is probably no better way to exemplify the combined effect on the railroad industry of an unsatisfactory national transportation policy and internal management difficulties than to reflect the rate of return on its net property investment. The figures for recent years are given in Table I.

The figures speak for themselves. They are mute evidence, from a financial point of view, of the critical nature of the railroad situation (exclusive of the Pocahontas roads) at the present time.

The roads operating in the Eastern District (exclusive of the Pocahontas carriers) seem to have suffered the most in the last few years of rising costs and shrinking volume. Nineteen — nearly 50% — of the 40 railroads assigned to this district classification reported an operating deficit for the first eight months of 1961. The Eastern District, as a whole, reported an operating deficit of $62 million for the first eight months of 1961, as contrasted with operating earnings of $49 million in the like period of 1960. Outside of the Eastern District the roads generally fared much better. Earnings were lower but the decline was not appreciable, the greatest decline being about 20% in the case of the Pocahontas Region carriers.

Most of the Eastern District carriers are largely dependent upon heavy industry such as steel. The steel industry has suffered considerably from foreign competition while the carriers have had to compete with barges and trucks for the steel companies' business. Consequently, the railroads lost business not only because of a lower level of steel output but, in addition, there were losses due to competitive influences.

1961 Net Earnings at Depression Level

The year 1961 for the railroad industry from the standpoint of net railway operating income (earnings derived from direct railroad operations) is going to be quite unsatisfactory. Total operating revenues should aggregate approximately $9.1 billion, as contrasted with $9.5 billion for the preceding year. Net railway operating income probably won't exceed $500 million, or $84 million less than for the year 1960. Such a depressed level of net earnings is comparable only with the results obtained in a depression year such as 1935. However, in 1935 the combined revenues of all the class I roads totaled $3.45 billion, or less than 40% of the current level of revenues.

Stated another way, the 1935 net earnings were equivalent to 14.5% of operating revenues for that year, whereas the corresponding ratio for the indicated current year's result is only 5.5%. The 1935 profit margin of 14.5% applied to the projected 1961 revenues would produce a net operating income of over $1.3 billion; notwithstanding such a level of earnings, the rate of return on net property investment would still be less than 5%.

Average Fixed Charges Coverage Below 1960 Ratio

Class I railways combined earnings coverage of fixed charges (before deduction of Federal income taxes) for the year 1961 should approximate 2.5 times, as contrasted with 2.9 times for the year 1960. These, of course, are average figures and while a number of roads will do considerably better there will also be a great many that won't do nearly as well, while in certain instances, especially in the case of Eastern lines, deficits will be reported.

Aggregate net income of the class I railways is expected to approximate $400 million in 1961, or about 10% less than the $444 million earned in 1960.

The drastic reduction in railroad earnings as already produced one casualty, namely, the New Haven Railroad which was placed in bankruptcy last September, following refusal of the I. C. C. to guarantee any further borrowings of the carrier. Unless traffic recovers and costs remain relatively stable a number of roads will undoubtedly require financial assistance. Inability to obtain loans will result in financial embarrassment.

The I. C. C. has been most helpful in assisting several roads over the rougher spots by guaranteeing their borrowings, as provided for in the Transportation Act of 1958. At the present time the principal amount of such guaranteed loans aggregate approximately $153,000,000.

Recent traffic statistics show evidence of an improving trend and it is anticipated the recent rate of improvement will tend to accelerate at least throughout the first half of 1962.

Piggyback Loadings Up Sharply

Freight car loadings by months in 1961 in comparison with corresponding figures for the preceding year are given in Table II.

Piggyback loadings continue to expand and a new record was set recently when 13,461 cars were loaded in a single week, a gain of 46.5% over the same week of the year 1959.

Well conceived and equitable plans for consolidation of railroad properties are in the public interest. They shoulld be sanctioned without undue delay if economic waste is to be avoided and the public is to receive improved transportation service at the lowest possible cost.

Projected Merger Savings

Some idea of the estimated annual savings (pretax) that may be realized from current merger proposals are shown in Table III.

The annual savings add up to $253 million. Since the studies that suggested these savings date back to a period when costs were at a lower level than obtain today, it is reasonable to suppose that such savings are understated in terms of current costs.

It is estimated railroad consolidations on a broad national basis that might reduce the number of systems to as few as 10 or 12 could mean savings (pretax) in transportation costs of upwards of

Continued on page 60

TABLE I

Rate of Return on Net Property Investment

Period—	All Class I Railways	Eastern District Roads	Pocahontas Region Roads	Southern Region Roads	Western District Roads
Year: 1956	3.95%	3.30%	8.68%	5.00%	3.54%
1957	3.36	2.40	8.44	4.17	3.18
1958	2.76	1.11	6.95	3.68	3.20
1959	2.72	1.42	6.89	3.63	2.87
1960	2.13	0.62	6.51	2.97	2.40
1st 8 mos. 1961	1.40	—0.98	5.07	2.64	2.34

TABLE II

Carloadings of All Class I Railways

Period—	1961	1960	% Change 1961-1960
4 Weeks January	1,921,855	2,386,196	—19.5%
4 Weeks February	1,954,793	2,292,112	—14.7
5 Weeks March	2,506,536	2,898,441	—13.5
4 Weeks April	2,106,107	2,492,148	—15.5
4 Weeks May	2,242,173	2,558,522	—12.4
5 Weeks June	2,860,298	3,062,371	— 6.6
4 Weeks July	2,173,783	2,298,399	— 5.4
5 Weeks August	2,966,799	2,963,099	+ 0.1
4 Weeks September	2,351,174	2,328,706	+ 1.0
4 Weeks October	2,580,437	2,557,643	+ 0.9
5 Weeks November	------	2,725,718	---
4 Weeks December	------	1,878,036	---

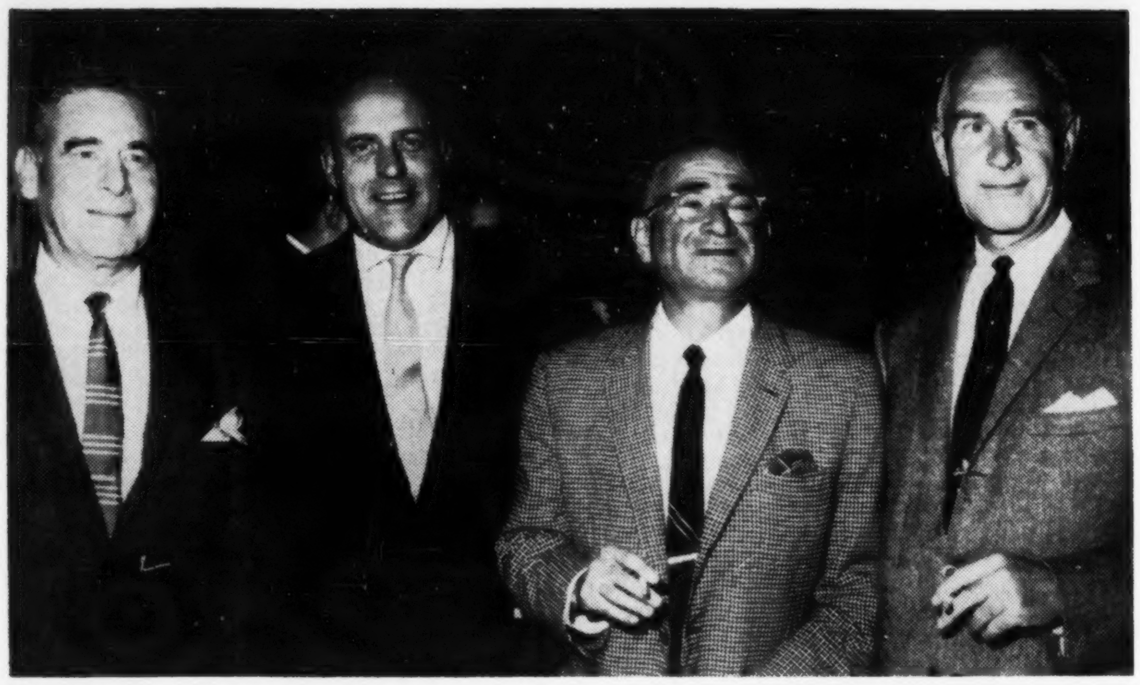
TABLE III

	Estimated Savings
Atlantic Coast Line—Seaboard Air Line	$38,700,000
Great Northern—Northern Pacific—Burlington	43,000,000
Norfolk & Western—Wabash—Nickel Plate	27,000,000
Chesapeake & Ohio—Baltimore & Ohio	45,000,000
Pennsylvania—New York Central	100,000,000

TABLE IV

All Class I Railways—Gross Capital Expenditures

Year	Expenditures on Roadway	Expenditures on Equipment (000)	Total
1956	$406,500	$821,357	$1,227,857
1957	386,956	1,007,749	1,394,705
1958	258,356	479,680	738,036
1959	250,456	567,546	818,002
1960	285,615	633,484	919,099
Total	$1,587,883	$3,509,816	$5,097,699



Phil Hettleman, *Hettleman & Co.*, New York; John Chapin, *Eaton & Howard, Incorporated*, New York; John Wasserman, *Asiel & Co.*, New York; J. Raymond Smith, *Weeden & Co.*, New York

Ed. Bueltman, *Blair & Co., Inc.*, New York; Bill Marlin, *Bache & Co.*, New York; Mr. & Mrs. Robert Krumm, *W. H. Morton & Co., Inc.*, New York

Continued from page 59

$1 billion annually. It is realized such a result would be difficult of accomplishment because of the many imponderables. Nevertheless, this does not alter the fact that colossal reductions in railroad costs may be derived from consolidations.

"Magna Carta for Transportation"

The Association of American Railroads plan for alleviating the serious condition of the industry is known as "Magna Carta for Transportation" and embodies a petition to Congress requesting the following "Four Freedoms":

(a) Freedom from discriminatory regulation;

(b) Freedom from discriminatory taxation;

(c) Freedom from subsidized competition;

(d) Freedom to provide a diversified transportation service.

The objective of the Association is noble. Its accomplishment will be extremely difficult because of the political aspects involved.

Although dictated to a certain extent by the flow of traffic and earnings, railroad capital expenditures continue to be made in substantial amount each year. Gross capital expenditures of all class I railways since the end of World War II have totaled in excess of $16 billion, or roughly $1.1 billion per annum. About two-thirds of this sum has been expended on equipment and one-third on roadway.

Table IV presents such expenditures for each of the last five years:

These expenditures on the part of the railroad industry are provided for from earnings, noncash expenses, such as depreciation accruals, sale of assets and borrowings. Because of the unsatisfactory earnings position of the industry and resultant poor credit status of all but a few carriers, the borrowings recently have been restricted mainly to the financing of equipment purchases.

Such expenditures have also been a heavy drain on the working capital of the carriers. For example, at the close of July, 1961, the working capital of all class I railways aggregated $832 million, a reduction of $313 million in the period of a year and almost $800 million beneath the corresponding figure at the close of 1955.

Marketwise, railroad bonds have done comparatively little during the past year, reflecting principally the changing fortunes of the respective obligors.

Dow - Jones closing railroad stock averages stood at 129 a year ago, advanced to 147 by the end of the first quarter then dropped back to 133 on July 19 from whence it rose to nearly 153 on Oct. 11. Currently it stands about 151.

Investors' Attitude

The near-term prospects are for a materially better traffic outlook throughout the first half of next year and consequently an improved earnings situation. Further consolidation proposals and progress in this connection should also be witnessed. In certain quarters corrective legislation favorable to railroads is anticipated from the next session of Congress.

Notwithstanding the temporary favorable outlook for the railroads, experienced discriminating investors, so necessary to the industry if its health is to be restored, will not invest new long-term funds therein under conditions that permit earnings equal to only a small fraction of a reasonable level. They do make exceptions such as in the case of equipment loans and hold a few of the more favorably situated equities.

Until such time therefore as a proper presentation of the situation is made to Congress, and the latter enacts legislation designed to assure investors that they will be given every opportunity to conduct the business as it should be, railroad securities should prove quite volatile marketwise, following the ebb and flow of earnings and consolidation progress.

Respectfully submitted,

RAILROAD SECURITIES COMMITTEE

James L. Sheehan, Chairman
Dick & Merle-Smith
New York, N. Y.

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New York, N. Y.

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New York, N. Y.

Report of IBA Governmental Securities Committee

George B. Kneass, Senior Vice-President of the Philadelphia National Bank, was Chairman of the Governmental Securities Committee, whose Report is reproduced herewith.

The Governmental Securities Committee is happy to report that the new Administration of the Treasury Department has honored us with invitations to confer with them from time to time on a variety of matters with either the full committee or a sub-committee in attendance.


George B. Kneass

The new Treasury "team" of Secretary Dillon and Under Secretary for Monetary Affairs, Roosa and his competent staff has adopted a broad and constructive approach to the changing needs of the nation in financing increasing expenditures in accordance with Administration commitments. It has been aggressive in its efforts to utilize every opportunity to improve the debt structure or at least preserve the average life of the marketable debt against the relentless passage of time—by the medium of the advance refunding mechanism and through the terms of its regular refunding operations.

The report of the previous year stated, "Our unfavorable balance of payments has added a brand new problem to overall debt management and monetary policy"—the year as a whole has borne this out and it has been a factor in debt management decisions. We believe the international flow of funds, in addition to imbalances in payments abroad, can well be the product of the competitiveness of our rates on short Treasury obligations together with domestic and international thinking as to our fiscal responsibility. This increasing sensitivity must be a factor in debt management decisions.

In the face of a gradual rise in industrial activity, the Treasury has generally experienced a favorable background for its policies. There has been no change in the Federal Reserve discount rate. The activities of the Federal Reserve Open Market Committee have kept free reserves at an appropriately stable level since April. All in all, these factors have provided an encouraging atmosphere for the most part for the achievement of the Treasury's objectives.

New Open Market Committee Policy

The adoption in February by the Federal Reserve Open Market Committee of a policy broadening the maturity area of Treasury securities eligible for its operations in the market, to include notes and even the longer bonds, was received with mixed reactions. Some feared that such a policy could, under any but the most expert administration, be subject to abuses and possibly lead to the type of market support which could bring about rigidities in certain parts of the rate structure with harmful results.

It was thought by others that the abandonment of the "bills only" policy was done to prevent the short rate from declining to a degree that its relationship with competing rates abroad might tend to place renewed pressure on the dollar. The shift, at that time, by the Federal Reserve Open Market Committee to the purchase of longer securities with emphasis on the one-to-five-year area and, to some degree, on the five-to-ten-year category may have prevented this circumstance.

It was naturally popular to try to interpret other goals or subtle influences in the moves attributed to the Open Market Committee's activities since February. However, those responsible for the execution of the revised policies continued to appear to have as their objectives the unobtrusive assistance to the flow of funds into appropriate domestic market areas. There is ample evidence that the record volume of private financing during the first nine months of 1961 was facilitated by these operations. Also, the absorption of the over one year area securities liquidated by the banking system in their portfolio shortening efforts last spring was probably eased by these new policies. There is little actual reason to be persuaded that Open Market operations were directed to arbitrary alteration of any particular pattern in the rate structure other than that of the bill area.

As you are well aware, domestic and foreign developments have caused several revisions in the budget picture for the fiscal year ending June 30, 1962. The financing in July and August followed a relatively unobtrusive exchange refunding pattern and securities sold for cash and cash refunding while increased in volume, had no real depressive impact on the market. The larger cash requirements as they developed, brought the total needed in the July-December period to better than 11 billion dollars, of which nearly 7 billion represented the cash budget deficit, one and a half billion, the retirement of the September Tax Anticipation Bills, and the remainder attrition on exchange refunding operations and Trust Account requirements. The most recent financing, the exchange refunding of the large $6.9 billion Nov. 15 maturity, provided some debt extension. The average maturity of the marketable debt as of that date was close to 4 years, 8½ months, so by the calendar yearend it should be close to the 4 year, 7 month figures of Jan. 1, 1961.

Active Year for Treasury Financing

The new Treasury Administration, as evidences of its dedication to constructive debt management, offered to its security holders two advance refunding operations this year. The first one in the middle part of March, which we speak of as a "junior leap frog," offered owners of two issues carrying 2¼% interest, maturing in 1962, and two issues carrying higher rates maturing in 1963, the privilege of extending into bonds due in November 1966 and 1967. Holders of over $6 billion securities accepted this exchange. In the middle of September, owners of the 2½% bonds maturing in 1970 and 1971 were offered a "senior leap frog" advance refunding with a choice of 3½% bonds due in either 1980, 1990 and 1998 with appropriate price adjustments. This privilege was accepted by about 50% of the holders and totaled $3¾ billion par value.

This has been an active year—the Treasury has arranged 16 major debt operations outside of the Treasury bill rollovers. These financings totalled $65 billion, of which $23.5 billion had a life of over eighteen months. There were also twelve increases in the bill issues. The banking system and the so-called "other investors," including private industry and foreign interests, added significantly to their holdings of Treasury obligations, particularly in the short area.

Sales of E and H Savings Bonds have been at an encouraging rate, but maturities of older issues no longer offered for sale are becoming sizable. Nearly $1 billion of series F and G bonds mature next year. The Treasury, following its practice of the past few years, has recently announced an offering to exchange these for a marketable bond—the 3⅞s due in 1968. Your committee has consistently urged the transfer of ownership of this class of restricted bond into marketable obligations. It is unlikely that this extension into this issue will have any noticeable price impact.

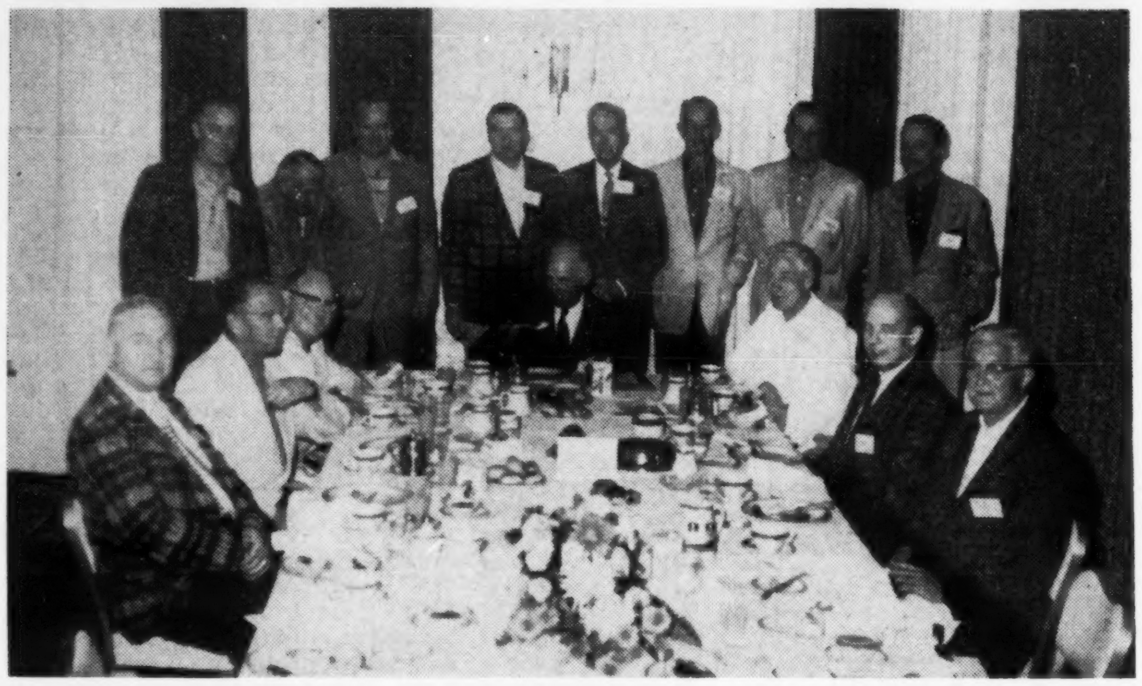
The recent projections of budgetary requirements reveal that the January-June period will balance overall as far as receipts and expenditures are concerned. Maturities during this six months, excluding 3 and 6 months bill rollovers amount to about $35 billion, of which $26 billion is held outside the Federal Reserve Banks. It would appear to be a busy half-year in Treasury finance and will require a favorable atmosphere to create attractive securities for cash refunding or exchange refunding and, at that same time, pursue a furthering of the debt extension program, which, under most circumstances, appears so important and desirable.

Urges New Debt Ceiling Policy

The Treasury's debt is currently nearly $297 billion, just under the legal limit of $298 billion. Such an absolutely inflexible legal limit can prevent the Treasury from using several practical debt management tools for the refunding of approaching maturities. It is suggested that legislation next year provide for a temporary escalator clause which would permit the debt ceiling to be exceeded for two week periods only, and then solely for accommodating the refinancing of maturing debt.

The Treasury's task will not be an easy one in the next six months. It would appear that our

Continued on page 62



Governmental Securities Committee, Breakfast Meeting—George B. Kneass, *Philadelphia National Bank*, Philadelphia, Chairman

Mr. & Mrs. Malcolm S. Prosser, *Seattle First-National Bank*, Seattle; Mr. & Mrs. Lyle F. Wilson, *Pacific Northwest Company*, Seattle; Sherman Ellsworth, *Wm. P. Harper & Son & Co.*, Seattle

Continued from page 61

bill rates are becoming more competitive with similar investments abroad, particularly when foreign exchange is hedged against adverse fluctuation and deducted from gross interest. Nevertheless, the Treasury must sell, in the market place, a variety of securities in substantial volume. These must be attractively tailored to meet the requirements of the investor classes and also allow the Treasury to continue to pursue its effective policies of debt management. The members of your committee are instrumental in supporting these Treasury operations, either through the dissemination of information to customers or, just as importantly, the underwriting, either by direct purchase or by making ample credit available to the dealer group. Your committee has enjoyed the trust and confidence placed in them collectively and individually by Treasury officials

Respectfully submitted,

GOVERNMENT SECURITIES COMMITTEE

George B. Kneas, Chairman
The Philadelphia National Bank
Philadelphia, Pa.

Robert B. Blyth
The National City Bank
Cleveland, Ohio

Milton S. Bosley
National Bank of Detroit
Detroit, Mich.

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C. F. Childs & Co.
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Frederick G. Larkin, Jr.
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Bankers Trust Co.
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Emil J. Pattberg, Jr.
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John H. Perkins
Continental Illinois National Bank & Trust Co.
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The First National City Bank
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L. Sumner Pruyne
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Lockett Shelton
Republic National Bank
Dallas, Tex.

Girard L. Spencer
Salomon Brothers & Hutzler
New York, N. Y.

William J. Wallace
Mellon National Bank & Trust Co.
Pittsburgh, Pa.

IBA Institute's Contest Winners

HOLLYWOOD, Fla.—John M. McCarthy of Lord, Abbett & Co., New York, was named the winner of the 1961 All-Institute Essay

John M. McCarthy

Nelson S. Talbott

Competition sponsored by the Investment Bankers Association as part of its annual Institute of Investment Banking, announced Robert Mason, Chairman of the IBA Education Committee. Mr. McCarthy received a $500 Award at the 50th Annual Convention and briefly addressed the delegates on the subject of his paper: "Small Business Investment Companies—Investment Opportunities and Pitfalls."

Nelson S. Talbott, Partner of Prescott & Co. in Cleveland, as winner of the Second-year Class Essay Competition, received a $250 award and briefly addressed the delegates on the subject of his paper: "Investment Policy for the Securities Investor Interested in Real Estate."

The Institute of Investment Banking is a three-year advanced development program sponsored by the Association for partners, officers, and other experienced personnel from IBA member firms. Registrants meet for a week each spring at the Wharton School of Finance and Commerce on the University of Pennsylvania Campus in Philadelphia.

Mr. McCarthy is a senior security analyst with Lord, Abbett & Co., investment manager for two open-end investment companies (Affiliated Fund, Inc. and American Business Shares, Inc.). Prior to his present association, Mr. McCarthy served nine years as a member and an officer in the investment research department of the trust affiliate of a large New York City bank. He holds an A.B. degree from St. Francis College, New York, where he majored in economics, and an M.B.A., degree from New York University.

Mr. Talbott is a general partner of Prescott & Co. and specializes in the areas of corporate finance, corporate mergers and acquisitions, and initiation of new underwritings. A graduate of Yale's Sheffield Scientific School with a B.S. in Industrial Administration and Engineering, he became associated with Prescott & Co. in 1958 and was elected to general partnership in 1960. He is also a director and chairman of the finance committee of The Talbott Corporation and a director of The Huffman Manufacturing Company, both of Dayton. Mr. Talbott serves as a trustee of the Cleveland Council on World Affairs and is a member of the Board of Advisors of the Cleveland Institute of Art. He directed the 1961 Heart Fund Drive for the Cleveland Area Heart Society.

Report of the IBA Research Committee

Ralph F. Leach, Vice-President and Treasurer of the Morgan Guaranty Trust Co., New York City, in his position as Chairman of the Research Committee, informed the Convention of the study of the investment banking business now in progress via a grant of $150,000 by the IBA to the Wharton School of Finance and Commerce of the University of Pennsylvania. Text of the Committee's Report is as follows:

At our Spring meeting this year it was announced that the Wharton School had been selected to conduct a three-year study of the new issue market and that a contract with them covering this period had been signed. It was also indicated at that time that we were then completing the process of defining the scope of this study.

Ralph F. Leach

We have since that meeting agreed on the coverage which can be obtained in the time and with the money available. This study will embrace a comprehensive examination of sources of funds of both U. S. corporations and of state and local governments. It will examine the role of the investment banker, the growth of the investment banking industry, and its history including the changes in its organizational structure.

With the exception of the U. S. Government security market (which has been studied recently elsewhere) the study will examine closely the major sectors of the new issue market, including corporate, municipal and foreign securities. The study will investigate the relative importance of each type of security activity, including activity in outstanding issues, for different types of firms as well as for the industry as a whole; review the characteristics of new issue transactions including the nature of the customers and the size and price structure of the transactions; consider the interrelationships of manager, underwriting groups, selling groups, and issuer and the disposition of unsold securities, etc. The study will also cover the economic structure and personnel of the investment banking industry, its financial characteristics, and methods of financing, all with historical perspective.

The balance of this year has been devoted to the preparation of questionnaires which will shortly be sent to all IBA members and to a cross-section of non-members. The committee has spent a great deal of time with representatives from the Wharton School in simplifying the questionnaires and in making certain that there will be a minimum of difficulties presented in assembling the data required.

Questionnaires Being Mailed

The questionnaires are currently being sent out and data will be collected for the period January through March of 1962. Included in the process of preparation was a thorough pre-test of the questionnaries with both bank and non-bank firms. In pretesting it was found that while cooperating firms sometimes had difficulty in isolating certain data after the fact, the difficulties were not likely to occur if preparations for filling out the questionnaires were made in advance. It is hoped that the designated person in each firm will be thoroughly familiar with the material required prior to the end of December and that he will be able to set up the books of his firm in such a way as to provide the data with a minimum amount of disruption to the normal work process.

I would like to stress to all members that this very important project will be no better than the statistical response which we will obtain from all of you. I ask therefore that each of you take the responsibility to stress cooperation within your own firm and to other firms in your area. We will be working through regional groups to elicit as close to a 100% response to these questionnaires as possible.

Following the collection of data in the first quarter of 1962 the all important third phase of the program, evaluation and analysis, will be under way by mid-1962. At this time we expect to call on some of the leaders in various fields to assist in interpreting some of the basic material. Following that a series of studies growing out of this project will be published. It is our expectation that the first of such studies will be available by this time next year.

I think it would be well to point out how fortunate we were in starting this project well over a year ago. Having thus accepted the challenge to study our own industry well in advance of the recent interest shown by Congress in the securities business means that we will have prepared for the collection of some very basic material at a time when external pressures were at a minimum. Mr. Cary may have some comments on the proposed SEC study but I think it would be pertinent for us to say a little bit more about the possible relationship of our study to that which was authorized under Joint Resolution 438.

Varying Scopes

The two studies are fundamentally different in scope, orientation and objectives but will inevitably deal with some of the same basic data. The Wharton study will be a comprehensive examination of the investment banking business with a primary emphasis upon the new issue markets. The SEC study will apparently concentrate on investor safeguards with an emphasis upon trading on both organized exchanges and over-the-counter markets. Activities on the organized exchanges will not receive any detailed examination by the Wharton group although the economic magnitudes of exchange activities will be included in order to provide a comprehensive picture of the economic services provided by the investment banking community.

The SEC study which is just beginning and is to be completed in about a year will undoubtedly deal at length with the special problems of regulation and supervision of the market for the sake of the individual investor. To some extent it is likely to be a legally oriented report focusing on individual aberrations. Of necessity it will probably have to concentrate upon limited areas and fringe operators that may require special treatment. The basic objective of the IBA-Wharton School Study on the other hand is to provide a broad background of information and analysis on the industry as a whole, studying and assessing the entire role played by investment banking in our economy.

In effect the Wharton study and the SEC study will undoubtedly cover some of the same material in the new issue markets and to this extent there could be some duplication of data collection. It is hoped that this well be kept to a minimum. On the other hand the differences in approach and emphasis should also contribute materially to the final body of data that will be available on our industry. To this extent the end result may be a more useful, effective, valid and meaningful end product from both projects.

Respectfully submitted,

Ralph F. Leach, Chairman
Morgan Guaranty Trust Co., New York, N. Y.

William M. Adams
Braun, Bosworth and Company Detroit, Mich.

Amyas Ames
Kidder, Peabody and Company New York, N. Y.

W. Yost Fulton
Fulton, Reid and Company Cleveland, Ohio

Murray Hanson
Investment Bankers Association Washington, D. C.

George A. Newton, (Ex-officio) President of IBA
G. H. Walker and Company St. Louis, Mo.

Thomas M. Johnson (Ex-officio) Vice-President of IBA
The Johnson, Lane, Space Corporation, Savannah, Ga.

Report of IBA Nuclear Industry Committee

Dr. Paul F. Genachte, Vice-President, Atomic Energy, Chase Manhattan Bank, New York City, again was Chairman of the Nuclear Industry Committee and, in that capacity, presented the following Report to the Convention.

Dr. Paul F. Genachte

The present Atomic Energy Act was enacted in August, 1954, a little more than seven years ago. Since that time, when the government monopoly was broken and private industry and capital entered the field, atomic energy in its peaceful applications has made enormous strides.

Power Reactors: Economic Nuclear Breakthrough Apparent By 1965

Today, atomic energy is not yet competitive. The main goal has been to reduce nuclear costs to the point at which decisions to build large nuclear plants can be made on economic grounds alone. After 16 months of study, Pacific Gas & Electric Company of San Francisco apparently reached that goal. Toward the middle of this year, Pacific Gas & Electric announced its decision to build a 325,000 kilowatt General Electric boiling water reactor plant at Bodega Bay, 50 miles north of San Francisco. Plans call for the start of construction in 1962 and for a completed plant by 1965. Estimates of the cost of electric energy generated at the bus-bars are 5.6 mills per kilowatt-hour with the first core and 5.3 mills with the second core. These costs are fully competitive with the cost of conventional power that could be produced at the same site. There will be no subsidy or financial contribution from the government or from any other source. The utility company has been unwilling to release a breakdown of its costs, but we can surmise that the fixed charges (gross rate of return plus depreciation) must be on the order of 12 to 15% and the load factor, 85 to 90%. The AEC has estimated the cost at 6.7 rather than 5.6 mills per kilowatthour. Be that as it may, this cost is still competitive.

We can now look forward to 1965 when we will have at least one large nuclear plant which will be competitive. This is indeed an important breakthrough. The Bodega site may ultimately take five units of the above size.

Southern California Edison has been joined by San Diego Gas & Electric, in plans for the construction of a 375,000 kw Westinghouse closed-cycle reactor at Camp Pendleton on land belonging to the United States Marine Corps. Joint usage of the plant provides for 80% of the cost to be borne by Southern California Edison. This company would also take 80% of the plant's production. The target date for this plant, which is also fully competitive and again without subsidy, is 1965.

Yankee Electric Atomic, which began full power production at a level of about 135,000 kw last January, is now thinking of embarking on another plant with a capacity of 250,000 to 300,000 kw in about a year. This decision evidently results from the successful operation of the first plant. The new plant would go on the line in 1966. The Yankee reactor has performed beyond expectations, both technically and economically. Costs are estimated to be 9 to 10 mills per kilowatt-hour or just about competitive in this geographical area. A second core, in due time, should bring the costs down to the point at which the plant will be fully competitive.

Late this year or early next year, the large Consolidated Edison plant will come into operation with an installed capacity of 255,000 kw. The company is already considering a second reactor at Indian Point, near Peekskill, New York.

In 1962, the fast breeder reactor of the Power Reactor Development Company (Detroit Edison and associated companies) should be operational with a capacity of about 100,000 kw.

In 1963, Philadelphia Electric Company will complete a 40,000 kw closed-cycle, gas-cooled plant. Northern States Power Company and the Carolinas - Virginia Nuclear Power Associates will complete nuclear power plants with capacities of 62,000 and 17,000 kw, respectively, in 1962.

Jersey Central Power & Light, a subsidiary of General Public Utilities, is studying a possible 400,000 kw plant. And the list of plants built, under construction, or planned goes on. There has truly been excellent progress this year, at an even faster and more significant rate than before.

The importance of one fact cannot be overstressed. We definitely have a more diversified program of reactor development than any other nation as exemplified by the boiling water reactor, the pressurized water reactor, the fast breeder reactor, the sodium-graphite reactor, the organic-moderated reactor, the gas-cooled reactor and their variations. Manufacturing companies such as General Electric, Westinghouse, Allis Chalmers, Babcock & Wilcox, North American Aviation, General Dynamics, Martin, Combustion Engineering, and some of our most prominent consultant firms as Stone & Webster, Bechtel and Ebasco Services are engaged in this global effort.

With such a program, we should have approximately 1.5 to 2 million kilowatts of nuclear capacity by 1965 or about 1% of the total installed capacity of utilities at that time, since in 1965 the total installed capacity should be at least 200 million kilowatts. This is a very good start.

Reduction in Nuclear Fuel Base Charges

On July 1 of this year, the base charges for uranium were reduced by the Atomic Energy Commission by about 20% for highly enriched uranium, 34% for uranium containing 1% of uranium-235, and by almost 40% for natural uranium. The reduction in these base charges was made possible by decreased costs incurred in the production of natural uranium. These new charges are based on a price of $8 per pound of natural uranium oxide, which is the price established by the AEC under its domestic purchase program for the period from April 1, 1962 to Dec. 31, 1966.

Simultaneously, however, the charge rate on the inventory of uranium in a reactor was increased from the previous 4% to 4¾%. The theory behind this increase, in the words of the AEC, was that the new rate took account of increases in the cost of money to the U. S. Government since the rate was first established in 1954.

The combined effect of these measures has been to reduce the nuclear fuel cost from .3 to .6 mills per kilowatthour on the basis of present burn-ups. This was a significant step in the right direction. A company recently published the results of studies of plutonium in so-called "near thermal reactors." It does appear that unusually high burn-ups are possible, which would cut the cost of the nuclear fuel by almost 50%. Even with the present reactor technology and the existing limitations in heat fluxes, important fuel savings could be achieved. This approach is being investigated.

These new developments have convinced your Committee that it will be possible to have nuclear power plants that will be fully competitive with conventional power in several areas of the United States by 1965.

Ownership of Nuclear Fuels

Last May, at the time the AEC disclosed its price reductions for enriched uranium, it also indicated its intention to advocate that the 1954 Atomic Energy Act be amended to permit private ownership of enriched uranium. Changing the present leasing policy to outright sale would mean that the current 4¾% use charge would jump to about 9 to 12% (gross rate of return) for private utilities carrying their own inventories. The net effect of such a change would be an increase in the cost of nuclear power of about one mill per kilowatthour more or less.

The first reaction of utilities was favorable to the idea of private ownership of atomic fuels. However, the immediate switch-over to private ownership would act as a brake on the growth of atomic energy. Therefore, the AEC now believes that there will have to be a transition period of perhaps 10 years or more. Over such a period, it is certain that the higher cost of atomic energy resulting from private financing of fuel inventories would be more than offset by other cost reductions resulting from improved reactor technology and future reductions in the cost of uranium oxide. Congress has been very security conscious and there is no telling when it may agree to modify the Atomic Energy Act. There may be a prolonged legislative battle, which could last several years. Some of the transition measures suggested by the AEC include: the continued leasing until a predetermined date of purchase; purchase at an early date with payment in instalments; purchase at an early date with deferment of payment; purchase through bonds or bank loans

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Report of IBA Oil, Natural Gas Securities Committee

L. Emery Katzenbach, II, partner White, Weld & Co., New York City, and Chairman of the Oil and Natural Gas Securities Committee, submitted the following Report to the Convention:

Trends in the Domestic Petroleum Industry

Oil industry earnings, as measured by the 32 oil companies tabulated by the Chase Manhattan Bank annually, recorded a further increase in earnings in 1960 to $2.9 billion, a slight gain over the $2.7 billion reported in 1959 and $2.5 billion in 1958. By comparison, 1956 was the best year in history, when $3.0 billion was reported by these companies. Earnings in 1960 afforded a 10.0% return on net assets (preferred and common stocks plus surplus), and was the second consecutive year to record an improvement over the 9.5% rate of return in 1958, the lowest in more than a decade.

L. E. Katzenbach, II

The rate of return as computed above is a composite of domestic and foreign earnings. As indicated below, return on domestic investment declined from 1955 through 1958 and increased modestly thereafter. Return on foreign investment has declined since 1955.

	Return on Investment Domestic	Foreign
1955	10.2%	30.2%
1958	7.2	17.3
1960	8.8	13.8

Capital expenditures continued to decline in 1960. The accompanying table reveals a decline from peak spending of $5,453,000,000 in 1957 (reflecting heavy concession purchases in Venezuela) to a low of $4,241,000,000 in 1960.

The largest percentage decrease in spending has occurred abroad although over the five-year period the decline in domestic expenditures has been somewhat greater in dollar volume. Lower refinery expenditures have been partly offset by rising outlays for petrochemical facilities. Well drilling activity declined from 58,160 wells in 1956 to a subsequent low of 46,751 wells in 1960. Total wells drilled in 1961 may somewhat exceed the 1960 level but in view of the continued domestic surplus of crude oil, no significant improvement over the 1960 level is anticipated for the next two years at least. Although plans have been announced by three of the major oil companies to construct major refineries in the next few years, no construction dates have been announced. There will be virtually no increase in total refining capacity this year, nor is any measurable amount anticipated in the next few years again reflecting the ample unused capacity in this activity.

Record Earnings Forecast

The downward trend in capital spending combined with a moderately rising trend in current cash earning power has further strengthened the already strong financial structure of the petroleum industry. Cash earnings in 1960 as computed by the Chase Manhattan Bank amounted to $6.17 billion as compared to $5.88 billion in 1959. The best year in history was 1957 when $6.32 billion were reported as cash earnings. Therefore, the petroleum industry in 1960 came close to equalling its most profitable year. It is probable that a new record will be established in 1961 or 1962.

The year 1960 saw a new high in the amount of dividends paid out by major oil companies. Dividend payments amounted to 23% of cash flow last year compared to only 17% as recently as 1956. Compared with $1.47 billion disbursed in 1959, $1.50 billion was distributed in 1960. Working capital also increased, rising $320 million in 1960 compared to $180 million in 1959.

Barring a significant change in weather patterns, we see a reasonably good chance that 1961 industry earnings will surpass 1960 and 1962, stimulated by a rising economy, may be moderately more profitable than 1961. Nevertheless, the existence of an excess of both refining capacity and produceability seems to preclude a substantial improvement in earnings for several years to come.

We have demonstrated that under current and foreseen conditions the demand for capital within the industry can be well supplied from internal sources. Thus, with the exception of occasional public financing by large oil companies to provide funds to refinance short- or medium-term debt, there is little prospect of investment bankers having much in the way of oil industry securities to sell to the public. Equities of small, more speculative oil securities are even more scarce.

Financing Prospects

The most prevalent type of financing undertaken by the oil industry this year (and in prospect for the next few years) results from the purchase of producing companies by large integrated companies. The largest financing of this type in 1961 was the sale of Honolulu Oil Corporation's assets to Standard Oil Company (Indiana) and Tidewater Oil Company. The total amount of capital involved amounted to about $360 million, of which $270 million was provided by privately placed production payments and about $90 million of equity provided by the two purchasers. The more recent proposed sale of Argo Oil Corporation's assets to Atlantic Refining Company is expected to be financed with over $100 million of production payments with the balance provided in cash by Atlantic. In the preliminary stage is the proposed purchase of Republic Natural Gas Company's assets by Socony Mobil Oil Company for $150 million plus the assumption of certain debts by Socony.

Aside from these substantial financial transactions, a large number of properties changing hands represent much smaller sums and involve, in some cases, only a few hundred barrels of daily production. A considerable number of such transactions are thought to involve less than a million dollars in total value and therefore do not come to the attention of the investment banking community.

Many producing companies, both listed and unlisted, are possible candidates for liquidation through a sale of assets to a larger oil company. Reasons for liquidation are numerous. Among them are: the inability to increase oil and gas reserves at reasonable cost; inability to market enough incremental oil and gas each year to permit an increase in net earnings; the expense, and in some cases, the managerial problem of expanding into refining and marketing to assure an outlet for oil production; aging managements and failure to develop adequate middle management prepared to assume the responsibilities of top management; and finally, pressure from stockholders to liquidate and thereby achieve a value for the share far above the highest price at which the shares have traded in the public market.

Minor Role for Investment Bankers

During the 1950's the petroleum industry called upon the services of investment bankers to raise substantial amounts of outside capital to expand facilities and meet the rapidly rising demands of the oil consuming public. Under present day conditions, however, oil companies, with few exceptions, are generating more than sufficient cash flow to handle capital expenditure programs. As a consequence the role of the investment banker as a merchandiser of oil securities is now a relatively minor one and is likely to remain so for several years to come until demand catches up with capacity.

In the meantime, we are likely to witness a number of additional acquisitions and mergers, and while such transactions may require a substantial amount of capital, the bulk can be borrowed by institutions in the form of production payments; the remaining equity requirements can usually be financed from excess cash on hand.

Stockholders of oil equities may, in general, look forward to rising dividend income as cash generation continues to exceed internal needs. Opportunities for capital gains may be found in companies which are to be liquidated at a price in excess of the current market; in those which are adding to their base of earnings through increased production; and in those exposed to a prospective upturn in refining margins.

Natural Gas

Another year has gone by without any significant clarification of the many regulatory problems confronting the natural gas industry. The main problems, of course, are regulation fo producer

Continued on page 105

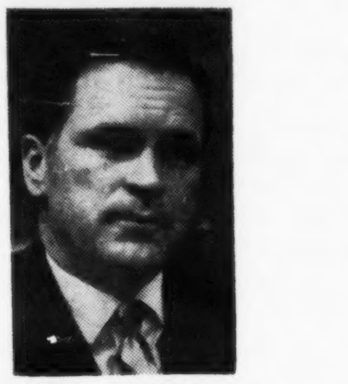
Capital Spending by Oil Industry
(Millions of Dollars)

	1960	1959	1958	1957	1956
United States:					
Production	$2,131	$2,113	$1,873	$2,294	$2,297
Refining/Chemicals	439	362	536	792	713
Other	606	562	564	690	614
Total U. S.	$3,176	$3,037	$2,973	$3,776	$3,624
Foreign	1,065	1,229	1,383	1,677	1,364
Total	$4,241	$4,266	$4,356	$5,453	$4,988

SOURCE: The Chase Manhattan Bank.

Report of IBA State Legislation Committee

Robert A. Podesta, Partner, Cruttenden, Podesta & Co., Chicago, as Chairman of the State Legislation Committee, presented the following Report to the Convention.



Robert A. Podesta

The amount of activity in state legislation affecting the securities industry this year is indicated in the fact that there were amendments to the securities acts in the following 23 states:

Alaska	New Mexico
Arkansas	New York
Colorado	North Dakota
Connecticut	Oklahoma
Florida	Oregon
Georgia	South Dakota
Indiana	South Carolina
Kansas	Tennessee
Maine	Utah
Michigan	Washington
Missouri	Wisconsin
Montana	

I

Amendments to State Securities Acts

The amendments to the securities acts in the 23 states listed above are summarized in APPENDIX A. These amendments included complete new securities acts in the following four states, all based on the Uniform State Securities Act with modifications:

Colorado	Montana
Indiana	South Carolina

The new acts in these four states include provisions for: (a) the manual exemption for sales by registered dealers in the secondary market; (b) registration by notification for securities meeting specified requirements; and (c) registration by coordination for securities which are also registered under the Federal Securities Act of 1933.

There has been frequent criticism of the provisions in a few state securities acts authorizing the commissioner to deny registration of securities if he finds that the issue would not be "fair, just or equitable," because such a provision establishes no real statutory standard and simply permits the commissioner to deny registration of any issue that he personally dislikes. The old acts in Indiana and Montana included "fair, just and equitable" provisions; but those provisions are eliminated by the new acts.

A bill to provide a complete new securities act embodying the Uniform Act failed to pass in Wyoming.

In California, a bill to provide the Uniform Act with some modifications failed to pass, although it was endorsed by the California Corporation Commissioner, the California Bar Association and the IBA. The work toward adoption of the Uniform Act in California has been a major project, which would have made many desirable improvements in the California securities law. Great commendation is due all of those who have worked on this project.

Deplores Arkansas Yardsticks

An adverse development is the adoption in amendments to the Arkansas Securities Act of provisions that, before any security may be issued as an exempted security under six specified classes of exempt securities and before any transaction shall be executed as an exempt transaction under five specified classes of exempt transactions (including the exemption for nonissuer distribution of outstanding securities about which specified information is available in a recognized securities manual), a proof of exemption must be filed with the Commissioner with payment of a filing fee of $10. The proof of exemption must contain a statement of the grounds upon which exemption is claimed and a declaration of which exemption is claimed. These filing and fee requirements in Arkansas have been applied to securities and transactions which were classed as *exempt* in the Uniform Act after careful consideration. *This Committee strongly opposes such conditions on exemptions* because they, in effect, require registration where there should be exemption.

Maine was added this year to the three states (Kentucky, New Jersey and Washington) which provide for the appointment of a State Securities Advisory Committee. We believe that such advisory committees can serve a useful purpose in providing practical assistance to administrators in effecting sound regulation.

A noteworthy development occurred in Maryland, where Governor Tawes appointed a committee to consider the desirability of adoption of a new securities act. The committee has recommended adoption of the Uniform State Securities Act (with some modifications), to provide anti-fraud provisions, requirements for the registration of dealers and agents and requirements for the registration of nonexempt securities. The security registration requirements of the act would be designed primarily to require full disclosure to investors and would not provide authority for the administrator to deny registration on the basis of the amount of underwriting or selling commissions or compensations. (The present act includes anti-fraud provisions and requirements for the registration of dealers, with an exemption from dealer registration for firms which are members of a national stock exchange registered with the SEC.; but it does not require registration of securities.)

Last year this Committee published a "Primer on State Securities Regulation." The Primer was used widely as a simple explanation of state securities regulation. The Primer has been revised to reflect the important amendments to state securities acts this year and the revised edition is now available on request from the IBA.

II

Survey of State Securities Registration Problems

In June of this year IBA President George Newton in a letter to all IBA members requested information regarding each issue managed since Jan. 1, 1961 which was not qualified in certain states because of blue sky law requirements. It was hoped that this information would be helpful in working with state securities administrators on problems encountered in registering issues under state securities acts. APPENDIX B is a summary of some of the principal problems reported. In many instances we believe that corrective amendments or reconsideration of administrative practice are indicated.

III

Options and Warrants to Underwriters

Issues involving options or warrants to underwriters can be registered in all states if specified conditions are met in the terms of the options or warrants.

The statement of policy on options and warrants adopted by the North American Securities Administrators in 1946 created a general assumption that options or warrants would be looked upon with great disfavor in connection with the application for registration of securities, and the statement of policy was followed in a number of states. Under that policy a few administrators refused to register any issues involving options and warrants and in a few states contended that where their laws provided percentage limitations on the amount of underwriting commission it would be impossible to determine whether the percentage limitation was met until the options or warrants were sold and the profit to the underwriter was determined. At the Annual Meeting of the N.A.S.A. in September, 1959 the administrators approved guides in determining whether the issuance of stock options is justifiable under the statement of policy, providing that the statement of policy should be given a *liberal interpretation* as to options or warrants issued to underwriters in connection with a public offering if specified conditions are met.

At the Annual Meeting of the N.A.S.A. this year, three further changes in the statement of policy were approved: (1) permitting options or warrants to be assigned to partners of the underwriter when the underwriter is a partnership; (2) reducing from 10% to 7% the required step-up in exercise price each year the option or warrant is outstanding, or in the alternative an overall step-up of 20%, the step-up to commence 12 months after the grant of the option or warrant and to be made at the time the option or warrant is issued; and (3) to reduce from one year to 11 months the period in which the option or warrant must be nonexercisable. Attached as APPENDIX C is the statement of policy of the N. A. S. A. on options and warrants with the changes approved this year.

Some states do not follow the statement of policy on options and warrants. Other states follow part of it or use it as a general guide. Some states follow it strictly.

This Committee wishes to express its appreciation to the members of the Options and Warrants Committee of the N.A.S.A. for affording representatives of the IBA Committee an opportunity to discuss the statement of policy with them at meetings during the year and for their open-minded and objective consideration of suggestions regarding the statement of policy.

IV

Real Estate Investment Trusts

One of the interesting developments during the year has been the organization of a number of real estate investment trusts. Generally speaking, the real estate investment trust is simply a means by which investors may pool their funds for investment in all kinds of real estate—apartments, hotels, stores and others. Prior to a change in the tax law effective in 1961, persons who invested in real es-

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Report of IBA Aviation Securities Committee

Edward J. Morehouse, Vice-President of Harriman Ripley & Co., Inc., New York City, as Chairman of the Aviation Securities Committee, delivered the following Report to the Convention:

The Aviation Securities Committee of the Investment Bankers Association hereby submits its report reviewing pertinent developments within the aviation industry during the past year.

Edward J. Morehouse

The use of the word "industry" with reference to so diverse and complex a field as that of aviation as we know it today is an extreme oversimplification. The advent of the space age has served to widen even further the boundaries of an already broad area of the nation's economy.

For the purposes of this report, however, we may divide the aviation field into its two general categories of manufacturing and transport.

Aviation manufacturing, which in recent years has come to be known by the more appropriate term, the "aerospace" industry, includes the large air frame and missile companies, the manufacturers of propulsion systems including jet, piston and rocket engines, the small plane manufacturers and a host of other companies whose products are utilized in the manufacture, testing and ground handling of air and space vehicles. A number of very large corporations, which are not primarily engaged in defense business, also have large stakes in the aerospace industry. The number of companies participating in the manufacturing segment of the aviation field has grown tremendously in recent years.

The air transport industry is comprised of the scheduled carriers, including the domestic trunk lines, United States flag carriers engaged in international operations, local service lines, all cargo-carriers and helicopter lines, plus the operations of the non-scheduled and supplemental carriers.

AEROSPACE

Net sales of the 12 largest aerospace manufacturers during the first half of 1961 aggregated about \$5.5 billion as compared with \$5.2 billion in the same period last year. Net income of these companies totaled \$43.5 million in the 1961 first half, up from only \$8.4 million in the comparable period in 1960. Year-to-year comparisons for these companies as a group have been greatly distorted in 1961 by the marked reduction this year in the amount of losses sustained by certain of the commercial transport manufacturers. Generally speaking most of the major aerospace companies have been showing improved earnings this year; profit margins on defense business have continued at narrow levels however. A step-up in the rate of defense expenditures during the second half of the year, which will offset the somewhat lower 1961 deliveries of commercial transport aircraft, indicates that the volume of business done by the aerospace industry for the full year should be slightly ahead of 1960. A moderate increase in volume should take place in 1962 as the effects of the new Administration's increased defense and space budgets are more fully reflected. Common shares of most of the aerospace companies have risen in price this year.

The increased emphasis by the new Administration on the limited war capabilities of our defense posture indicates that the decline in the relative importance of manned aircraft may be slowed, at least temporarily. In addition to a substantial rise in orders placed for various tactical, reconnaissance and cargo aircraft by the military there have been a number of other developments this year which should ensure the continued prominence of manned aircraft in the defense program for the foreseeable future. Contract awards were made earlier this year for the development of the C-141 aircraft, a large military jet cargo transport from which, it is expected, civil versions may ultimately evolve. Contracts were also placed for the so-called "tri-service" VTOL transport, a tilt wing configuration designed for vertical take-off and landing, which may be the forerunner of a whole new family of aircraft suitable for both military use and, possibly, for short haul purposes in the commercial market. Other military programs with respect to manned aircraft which moved ahead in 1961 included those relating to an advanced tactical fighter and a light observation helicopter.

Fate of B-70 Program

The Pentagon recently announced that it would not spend funds voted by Congress to enlarge the present program for the supersonic B-70 bomber, a program which is designed to demonstrate the technical feasibility of the aircraft and related subsystems rather than to develop a full-scale weapon system. It is possible that the controversy over this and other manned bomber programs may be raised again when Congress convenes in January, 1962.

Whatever the ultimate fate of the B-70 program, however, the knowledge and experience relating to large supersonic aircraft gained from this and earlier programs will be extremely helpful in the proposed development of a commercial supersonic transport. In June of this year a joint report was issued by the Department of Defense, the National Aeronautics and Space Administration and the Federal Aviation Agency, setting forth the conclusions that have been drawn and the principles that have been agreed upon in conferences with various industry representatives in order to provide guidance for the development of such an aircraft. The report concluded that the development of a commercial supersonic transport is now technically feasible and appears essential to the maintenance of this country's leadership in commercial aviation. Our national prestige is also at stake in this area. It is known that the Soviets are working furiously in this field and they may succeed in putting a supersonic airliner into service before the U. S. Whether they will develop a true commercial vehicle or, as they have done in the past, convert one of their supersonic military aircraft remains to be seen.

Current industry opinion seems to be that it will be well beyond 1970 before a supersonic jet could be introduced into commercial service. Four study contracts, two to airframe manufacturers and two to engine companies, are to be let this fall. The fiscal 1962 budget includes a provision of approximately \$11,000,000 for the supersonic transport project. The proposed U. S. configuration would be a Mach 3 airplane, with a designed cruise speed of about 2,000 miles per hour and a range of approximately 3,500 nautical miles. Passenger capacity is expected to be approximately the same as that of the larger models of today's subsonic jets. Propulsion system will probably be some form of a turbofan engine coupled with ramjet or other type of auxiliary power to give the necessary thrust for acceleration to transonic speeds.

Most estimates of the Free World airline market for a supersonic transport range between 100 and 200 aircraft. Development and production cost estimates for a fleet of such aircraft range from \$2.0 billion for 145 aircraft to slightly over \$4.0 billion for 220 aircraft. The unit cost estimates of production models range from \$12.6 million to \$20.0 million. The wide range of these cost estimates reflects the fact that the basic assumptions made by the various manufacturers were not the same.

It is clear that the magnitude of the program will require substantial financial assistance by the government. It is equally clear that the government will expect that as part of the program there must be developed a feasible plan by which the government may recapture some part of its investment.

Space Program Accelerated

The pace of our national space activities quickened noticeably in 1961. Two flights by U. S. Astronauts in May and July and an unmanned orbital flight in September were mileposts in Project Mercury, first phase in this country's efforts toward manned space flight. Launch tests began this fall on the first stage of the huge Saturn rocket, whose eight engines are designed to produce 1.5 million pounds of thrust. One of the most important space developments in 1961 was approval by Congress of the Administration's request for an expanded effort in the program for a landing on the moon by 1970. While there remains some difference of opinion in Congress as to the ultimate wisdom of spending so much money on this program, nevertheless it now appears likely that the nation will expend some \$20.0 billion on a lunar landing project. Evidence of possible commercial aspects of our space activities became faintly apparent this year, particularly in the area of the proposed communications satellites.

Deliveries of commercial jet transports have been at a somewhat slower pace this year, reflecting delays experienced in the Convair 990 program and, for several of the U. S. airlines, completion of the initial phases of their jet equipment programs. Several of the lines have placed orders for the short to medium range Boeing 727 with deliveries expected to commence in 1963-1964. A significant development this year was the penetration made into the domestic market by foreign manufacturers of turbine-powered aircraft. One of the "Big 4" U. S. airlines now has in operation the French Caravelle and another has placed a sizable order for this aircraft. Certain of the all-cargo carriers now have in

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Report of IBA Industrial Securities Committee

J. Victor Loewi, President of Loewi & Co., Inc., Milwaukee, Wis., presented to the Convention, as Chairman of the Industrial Securities Commitee, a Report on the WATER TREATMENT INDUSTRY.

The Committee's Report, encompassing approximately 70 pages, represents what is very likely the most exhaustive and detailed analysis of the water shortage problem, current and prospective, confronting many parts of the United States as well as abroad. It explores every facet of this vital problem, including new developments in progress, particularly in the area of saline water conversion, companies actively engaged in the industry, the role of the investment banker and investment opportunities in the area of increasing the supply of water for individuals and industry. Reproduced herewith are some of the highlights of the Report.

J. Victor Loewi

INTRODUCTION

Much has been written and said over the air recently about the impending water shortage in the United States and about steps that are being taken to cope with this increasingly critical problem.

Most people, except those residing in arid regions, are inclined to accept the availability of water as unlimited and to take it as much for granted as they do the inexhaustible supplies of the air we breathe. However, this country, like other parts of the world, is gradually approaching the point where the demand for fresh water will exceed the supply. If our usable water resources remained static, consumption would catch up in two decades, but pollution is rapidly eroding existing sources.

Much attention is being directed to alleviating the impending water crisis through research directed toward conversion of sea water and brackish water. The President recently stated that the discovery of an inexpensive means of converting sea water to fresh water would constitute the greatest scientific achievement of the age. At the recently adjourned session of Congress (Bill HR-7916) an additional $75 million was appropriated to add to funds already available to extend research and development work and construction of additional pilot plants.

Efforts are also under way to conserve our natural fresh water supplies by reuse of waste water, treatment of sewage and industrial waste, avoidance of pollution and conservation, control and replenishment of natural resources.

Conversion of sea water has been successfully achieved for many years. During the war our military and naval forces, both at sea and on remote Pacific islands, were supplied with fresh water distilled from the sea. The problem is to bring down costs to an economical level. To further this objective, private industry and the Government are spending many millions on development of new methods and approaches and improvement of existing processes. Much progress has been made and in many parts of the world, including arid areas of our own country, millions of gallons of distilled sea water or brackish water are being supplied daily for industry and human consumption.

Water treatment and water conversion can become a big industry in coming years, and many companies will benefit therefrom.

The object of this review is to put the problem into focus, to outline what is being done to resolve it, and to summarize the activities in this area of the many corporations which are participating in various phases of water treatment.

Scope of the Problem of Water Shortage

"Water, water everywhere, nor any drop to drink." Coleridge's famous lines from The Rime of the Ancient Mariner acknowledged an accepted fact in his day about which nothing could be done. Modern science, however, has found methods to separate salt and other impurities from water and to make it potable or otherwise useful. At the same time the whole field of water resources in this country and abroad has been reexamined in the light of ballooning demands and mounting wastes, contamination and loss of available supplies, and it has been found that prompt steps must be taken to avoid alarming future shortages.

That simple chemical compound H_2O, so essential to life and living processes and seemingly so abundantly available to most people actually threatens to become in short supply in the form necessary for human uses, even apart from the numerous arid regions of the world. Yet there are limitless amounts of water on and under the surface of the earth in either nonusable form or not readily accessible. The problem then becomes one of providing for adequate quantities of water in a state in which it can be used wherever it is needed, to do so on the rising scale of accelerating need and at a cost that is not prohibitive.

Two Main Sources

The two main sources of water that can be developed for general use are surface and underground. Surface supplies came from lakes, rivers, reservoirs which are replenished by rainfall, melting snow and underground reserves. Under the surface of the earth are important sources of water found in glacial, alluvial or windblown deposits of granular materials such as sand, gravel and sandstone, solution passages, caverns or fractures of rock, and combinations of these consolidated and unconsolidated geological formations which are called aquifers. This ground water originates from accumulations during geologic time. Water is replenished in these formations by downward percolation of rain and other surface waters. In some areas the underground reservoirs are being drawn on at a faster rate than the water can be replaced resulting in a lowering of the natural water table.

Rainfall in the U. S. is estimated at 4,300 billion gallons per day on average with wide variations across the country. Of this total perhaps 25% is available as runoff into lakes, rivers and aquifers and theoretically can be collected and put to use. The remainder is lost through evaporation, plant transpiration and in other ways. Not all of this 25% actually can be obtained. The U. S. Dept. of Commerce has estimated that 515 billion gallons of water a day is all that is available. Of this, we are at present using about 323 billions gallons per day.

Water Use Compounds

It is further estimated that by 1975 requirements will have increased to 453 billion gallons per day and by 1980 to 600 billion gallons. By the year 2000 water needs may have quadrupled present use. This is based on expected growth in population plus big increases in usage by industry especially, agriculture, and for municipal and domestic purposes. The growth in population and total water use since 1900 has been as follows:

Year—	Population	Total Water Use (billion gal. per day)
1900	76,000,000	40
1910	92,000,000	66
1920	106,000,000	92
1930	123,000,000	110
1940	132,000,000	135
1950	150,000,000	204
1960	180,000,000	312
1975 est.	235,000,000	453

It can be seen that water usage has surged upward at a much more rapid rate than population growth. Industry has become an increasingly heavy user, now accounting for nearly 50% of the total. By 1980 it may require two-thirds of all water produced. Agriculture now consumes about 44% of the total and municipal and domestic use accounts for the remainder.

Industry Demands Rising

The tremendous demands of industry for water are indicated by the facts that one ton of newsprint requires 240,000 gallons, one pound of high grade paper 1,000 gallons, one ton of steel 65,000 gallons, one ton of synthetic rubber 660,000 gallons, one ton of rayon 200,000 gallons, one gallon of alcohol 236 gallons. Over 11,000 major U. S. firms now use a total of 10-20 million gallons daily apiece, and the trend is rising rapidly.

The natural fresh water supply remains constant. Therefore as usage increases shortages will become widespread and severe. Certain areas of the country that have been troubled with insufficient and deteriorating water supplies have already had to resort to special measures to help alleviate their pressing problems, but much more needs to be done. The regions of the country suffering from lack of water embrace the Southwestern and North Central sections and the Gulf and Florida Coasts. States involved are Oklahoma, New Mexico, Arizona, California, Utah, Minnesota, Iowa, North Dakota, South Dakota, Montana and Texas. Water problems also exist in some areas along the East Coast of the U. S.

It might be thought that the Great Lakes area has unlimited fresh water availability. However, this is not true because withdrawals are subject to restrictions and controls necessary to protect interests such as shipping, hydroelectric generation and property values. Nor can replenishment by return of waste water solve the difficulty as pollution then enters the picture, and this is also regulated.

In 1957, 1,000 cities throughout the nation were forced to restrict the use of water and 15 out of every 100 persons had to curtail their normal water consumption. Residents of Dallas, Texas paid 50 cents a gallon for drinking water. In the 1930's the U. S. experienced a serious drought. Should this happen again, it would take place at a time when far more people are using much more water.

Congress Acts

The whole matter of adequate water supplies has become increasingly importunate as we rapidly approach natural availability in the rate of use. Recognizing this as a national problem, Congress has taken steps to provide additional supplies, and local bodies have sought to improve the situation in their own localities in a variety of ways. President Kennedy in his special message on natural resources stated: "No water resources program is of greater long-range importance—for relief not only of our shortages, but for arid nations the world over—than our efforts to find an effective and economical way to convert water from the world's greatest, cheapest, natural resources—the oceans—into water fit for consumption in the home and industry." Mr. Kennedy has also expressed the conviction that obtaining inexpensive fresh water by saline conversion would dwarf any other scientific accomplishment as a benefit to mankind.

In the last analysis the oceans are the only unlimited water resource. Fresh water from the surface of the earth and ground water returns to the oceans. Through evaporation the oceans also become the source of all rainfall. They cover nearly three-quarters of the surface of the world and contain some 330 million cubic miles of water. They also hold a large amount of dissolved solids—enough so that if they were totally distilled out the residue would cover the present land area to a depth of 500 feet. Here then is an inexhaustible supply of raw material for fresh water.

There are other approaches to the water shortage problem. Brackish as well as sea water can be converted to fresh. Water can be conserved and reused. Surface and underground supplies can be kept pure and recharged. New ground water supplies can be found. Pollution can be controlled. Water can be treated in many ways. Sewage can be utilized. Rainfall can be modified. We will examine all of these avenues and discuss companies with activities in these various areas.

Approaches to the Problem

Expanding the Available Supply

It should be borne in mind that all water withdrawn for use by industry, agriculture and for do-

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In Attendance at Convention

ABERNETHY, Jr., R. S.*
Interstate Securities Corporation, Charlotte
ABRAMS, JAMES S.
Allen & Co., New York
ADAIR, TED F. G.
E. F. Hutton & Co., New York
ADLER, LEOPOLD II
Varnedoe, Chisholm & Co., Savannah
AGEE, RUCKER*
Sterne, Agee & Leach, Birmingham
AGNEW, JOHN W.*
The First National Bank, Boston
AHBE, JOHN L.
Distributors Group, Inc., New York
AHEARN, JOHN W.*
State Street Bank & Trust Co., Boston
ALBIN, JOHN
The Ohio Company, Columbus
ALDRICH, GEORGE D.
The Parker Corporation, Boston
ALEXANDER, NORMAN J.
James Richardson & Sons, Winnipeg
ALEXANDER, TED R.
Texas Bank & Trust Company, Dallas
ALEXISSON, GUSTAVE A.*
Walston & Co., New York
ALLEMAN, F. MONROE
Leedy, Wheeler & Alleman, Orlando
ALLEN, JAMES H.
First National City Bank, New York
ALLYN, JOHN W.
A. C. Allyn & Co., Chicago
ALMON, TAYLOR B.*
Almon & McKinney, Dallas
ALTGELT, E. J.*
Harris Trust & Savings Bank, New York
AMAZEEN, EDWARD S.*
William Street Sales, Inc., New York
ANASTASIA, ALBERT A.
Dow Jones & Co., New York
ANDERSON, GEORGE W.
Anderson & Strudwick, Richmond
ANDERSON, GLENN E.*
Carolina Securities Corporation, Raleigh
ANDERSON, HERBERT R.
Distributors Group, Inc., New York
ANDERSON, ROBERT D.
Distributors Group, Inc., New York
ANGLIN, THOMAS L.*
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Hill Richards & Co., Los Angeles
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A. G. Becker & C., Chicago
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BANKER, HOWARD H.*
C. J. Devine & Co., Cincinnati

*Denotes Mr. and Mrs.

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American Securities Corp., New York
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Irving Trust Company, New York
BARNARD, HAROLD D.
Dean Witter & Co., New York
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C. F. Childs & Co., New York
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Barrow, Leary & Co., Shreveport
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BEAUBIEN, ANDREW S.
L. G. Beaubien & Co., Montreal
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Watling, Lerchen & Co., Detroit
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Julien Collins & Company, Chicago
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Drexel & Co., Philadelphia
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Bingham, Walter & Hurry Los Angeles
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Brush, Slocumb & Co., San Francisco
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BRYAN, JOHN F.*
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BUELTMAN, EDWIN A.
Blair & Co., New York

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Stifel, Nicolaus & Co., St. Louis
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Hayden, Miller & Co., Cleveland
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Burnham & Co., New York
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CASEY, Jr., JAMES D.
A. C. Allyn & Co., New York
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C. F. Cassell & Co., Charlottesville
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The Keystone Company, Boston
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W. L. Lyons & Co., Louisville
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CHAPMAN, Jr., ALGER B.
New York Stock Exchange, New York
CHAPMAN, R. C.
Fulton, Reid & Co., Cleveland
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Chiles-Schutz Co., Omaha
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Varnedoe, Chisholm & Co., Savannah
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New York Times, New York
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CLARK, JOSEPH F.
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Calvin Bullock, Ltd., New York
CLARK, ROBERT M.*
Blunt Ellis & Simmons, Chicago
CLARK, WILLIAM N.
Chicago Tribune, Chicago
CLARKE, HARRISON*
Johnson, Lane, Space & Co., Atlanta
CLARKE, JAMES H.
American National Bank, Chicago

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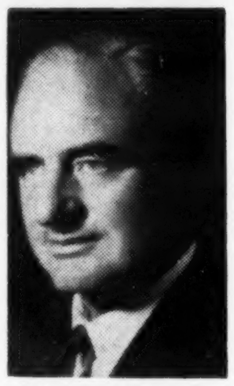
Report of IBA Federal Taxation Committee

Walter Maynard, Partner in Shearson, Hammill & Co., New York City, again headed the Federal Taxation Committee. Its Report follows:

Tax activity this year began on April 20 when President Kennedy sent a Tax Message to Congress. This message first alluded to the problem of long-range tax reform, and said that the Secretary of the Treasury was directed to undertake the preparation of a tax reform program to be placed before the session of Congress which is to begin next January. The message then advanced a number of proposals for interim action. The Ways and Means Committee promptly began hearings, which were concluded by the end of May. Finally, on Aug. 23, Chairman Wilbur Mills of the Ways and Means Committee announced on behalf of the Democratic members of the Committee that "The heart of the President's program was his proposal to grant a tax credit to those American businesses which would invest their funds for modernization. . . . The Committee has worked diligently on the President's tax recommendations for four months, and now finds that it will be impossible to conclude its deliberation in the few weeks that remain in this session. . . . It is hoped that the Committee can report to the House by early February, 1962. . . . A Committee print of the 'discussion' draft (of the legislation) will be made available. . . . It is stressed that this 'discussion' draft was prepared for the use of the Committee on Ways and Means and that **no part of the draft** has been approved by the Committee."



Walter Maynard

The "tax incentive for modernization and expansion," in the President's message, frequently referred to as the "investment credit scheme," is in effect a cut in the corporate income tax rate, available to corporations in a position to make expenditures for new plant and equipment in excess of depreciation reserves. This proposal is not of primary interest to our members, and therefore, your Committee did not appear in this connection before the Ways and Means Committee. Nevertheless, because the proposal is far-reaching and, if enacted, would have a marked effect on our economy, we believe that the membership should follow its progress with attention.

The investment credit scheme, as first proposed by the Administration, provided for a tax credit of 15% of all new plant and equipment expenditures in excess of current depreciation allowances. The discussion draft referred to above set the amount of the credit at 8% of the qualified investment, but not more than half of the tax liability in excess of $100,000. It can be seen that legislation which contains the possibility of a 50% corporate tax cut is powerful medicine indeed!

Other segments of the President's tax message received rough treatment in the study draft issued by the committee. For example, the proposal to eliminate tax deferral privileges in developed countries was dropped completely. This proposal was of interest to those of our members who operate foreign affiliates or subsidiaries.

Withholding of Interest and Dividends

The study bill does, however, contain a provision for withholding of income tax at source on interest and dividends at a rate of 16⅔%, compared with the 20% advocated in the President's message. Your Committee believes that, although the argument for some $3 billion of interest and dividend income goes unreported each year, our Association should continue to resist the withholding proposal on the ground that (a) it would cause many persons to pay tax and go through a great deal of trouble to obtain a refund where, in effect, no tax is due; (b) the clerical burden on corporation and financial intermediaries would be enormous, and (c) steps are already underway to install a data processing system which should allow the Internal Revenue Service to detect under-reporting and solve the problem without the drastic withholding remedy.

In connection with (a), the study draft provides that refund claims may not be filed for amounts less than $10. This creates an obvious injustice for those least able to afford the tax and for those just beginning to save; moreover it will not encourage the practice of thrift.

Dividend Credit and Exclusion

Finally, and possibly of most significance to your Association, is the fact that, although the President's tax message recommended repeal of the present 4% dividend tax credit and the $50 exclusion, the study draft of the bill omits the repealer. Possibly, however, we should not take too much satisfaction in this development, because in a speech earlier this month Professor Stanley Surrey, Assistant Secretary of the Treasury in charge of tax policy, again urged repeal of the dividend tax credit and exclusion — moreover, the "liberal" members of the Senate Finance Committee continued their efforts in the concluding phase of the Congressional session to attach a repealer of the dividend tax credit and exclusion to various items of legislation, and these efforts will doubtless be renewed at the next Congressional session.

In this connection, it is of interest, however, that members of Congress report that the two subjects on which they received the greatest amount of mail from their constituents during the session were repeal of the dividend credit and an Administration proposal to change the method of taxation of savings and loan associations.

The Chairman of your Committee appeared before the Ways and Means Committee and presented testimony opposing repeal of the dividend credit and exclusion. It is the belief of your Committee that the IBA should continue to actively advocate the basic need for fair taxation of dividend income. The present situation is that, despite the minor measure of relief provided by the 4% dividend tax credit and the $50 exclusion, the corporate stockholder continues to suffer a severe penalty not imposed on any other form of income in that corporate income is taxed twice —first in the hands of the corporation, and second when received by the stockholder in the form of dividends. An increase in the dividend tax credit to 20% (the Canadian rate) would have the logic of eliminating double taxation in the lowest personal income bracket.

Capital Gains Tax Reform

Looking ahead to the next Congressional session, we should continue to take every opportunity to impress upon our Representatives in Congress, and upon the community at large, the need for basic reform in an area of primary interest to our Association —the capital gains tax. Our contention here is that in an economic sense the tax is much too high to produce the maximum amount of revenues that it is capable of producing, and that in any event the high rate of tax is a grave deterrent to the mobility of capital, and therefore inappropriate for a country which must not only grow but also maintain its competitive position in world trade.

We are convinced that a lowering of the rate of the tax would ease the "locked - in" situation, would produce substantially greater revenues for the Treasury, and would provide a huge new source of the kind of venturesome capital most needed if we are to maintain our world economic leadership.

In connection with the capital gains tax, it should be emphasized that there are other areas of potential reform which are even more important than the matter of rate reform. For example, our industry has advocated for a number of years the so-called **full reinvestment plan.** This would accord to transactions in capital assets, including securities and real estate, the same treatment now granted to transactions in homes, where capital gains taxes are not payable if full reinvestment is made within 12 months.

Punitive Personal Income Tax Rates

Also, looking ahead to the Administration's promised program of tax reform, we should continue to urge that the maximum rate of personal income tax be brought down to levels which are not punitive. A rate higher than 50% creates a greater incentive for tax avoidance than for additional constructive effort. We believe, therefore, that the maximum rate for both corporate and personal income tax should be set at the 50% level. Moreover, **averaging** of income over a reasonable time period should be allowed. This provision would be helpful to small business and to businesses which suffer from wide fluctuations in income such as ours. An averaging provision would reduce the basic inequity that arises from the fact that income received in even annual installments pays a lower rate of tax than the same amount of income received in varying installments.

Longer Term Considerations

Finally, we should face up to the unpleasant fact that the chronic inability of governments, including that of the U. S., to keep expenses within incomes may well within the predictable future lead to the requirement that additional taxes be imposed. In view of the necessity that industry in the U. S. increase its ability to compete in world markets, we think it essential that such taxes, if and when adopted, be levied on consumption rather than production. The logic of this principle would call for taxes in some form on final domestic sales of goods and services.

Your Committee emphasizes that it is important that each member of the Association use every opportunity to make our views on all of the foregoing subjects known as forcefully as possible to his representatives in Congress.

Respectfully submitted,

FEDERAL TAXATION COMMITTEE

Walter Maynard, Chairman
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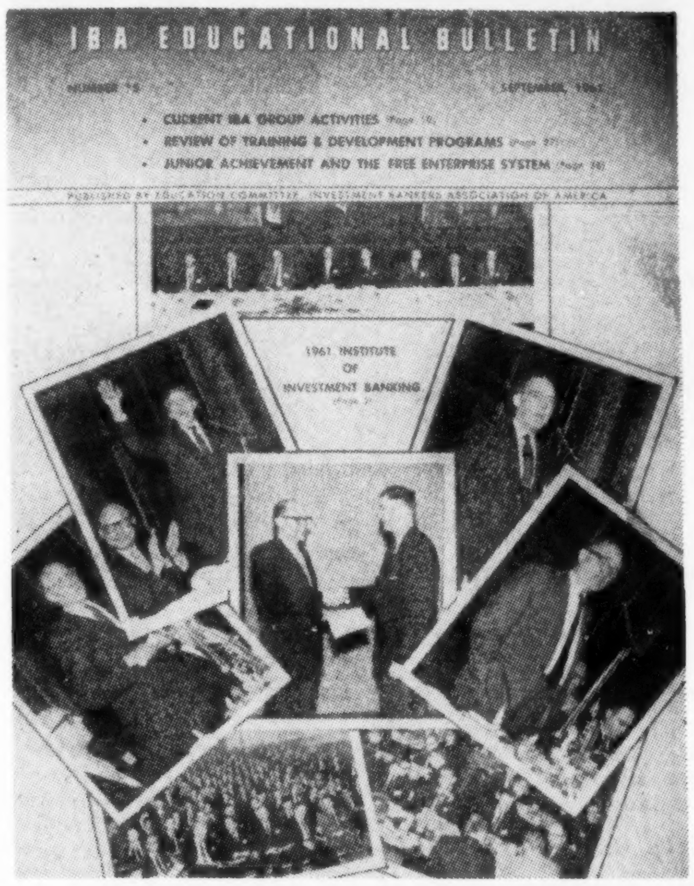
Straus, Blosser & McDowell
Chicago, Ill.

Educational Committee Report



The two issues of the IBA Educational Bulletin published during 1961, September (48 pages), and December (68 pages), constitute in essence the report of the Education Committee. They present in text and pictures a record of the educational, public relations and promotional activities of the national Education Committee, the 17 Group Education Committees in the United States, and like activities on the part of member organizations.

More investment banking firms utilized IBA training programs during 1961 than ever before, reported Robert Mason, Chairman of the Education Committee, at the Fiftieth Annual Convention of the Investment Bankers Association of America. Mr. Mason is with Merrill Lynch, Pierce, Fenner and Smith Incorporated, of Chicago. A review of the Committee's educational activities was contained in the December issue of the IBA Educational Bulletin distributed to delegates. (This, together with the September issue of the Bulletin, constitutes in essence the annual report for the Education Committee.)

During the week of March 26-31, a total of 274 junior officers and partners of IBA member organizations attended the ninth annual session of the Institute of Investment Banking on the campus of the University of Pennsylvania in Philadelphia. This was a record enrollment for the three classes of this executive development program, which is sponsored by the IBA Education Committee in cooperation with the Wharton School of Finance and Commerce. The graduating class of 77 men was also a record.

From July 30 to September 2, the IBA Education Committee and the Department of Member Firms Liaison of the New York Stock Exchange jointly sponsored a concentrated summer training program of two courses for trainees in the securities business: Fundamentals of Investment Banking and Stock Exchange Operations. The program was offered in cooperation with Northwestern University in Evanston, Ill. 79 registrants completed the course in Fundamentals of Investment Banking and 85 completed the Stock Exchange Operations course. There were a total of 101 registrants representing 55 organizations in the securities business from 34 cities in 24 states and Puerto Rico. This was a record enrollment for the concentrated summer training program, which has been offered the past three summers.

Major IBA Group Activities

Significant educational activities conducted by IBA Groups throughout the country were reviewed, including the following:

California Group Survey of Training in the Securities Industry

This spring the Group Education Committee conducted a survey to determine general trends in sales selection and training methods within the securities business. Greater emphasis is being placed on proper selection and adequate training than ever before. The Committee is planning to use the data compiled as the basis for a "Training Standard Guide" for the use of all members in establishing standards for training sales personnel, to encourage comprehensive and effective training methods, and to set forth typical entrance requirements for applicants for sales positions.

Central States Group 13-week Television Series, Investors' Forum

A 13-week television series called Investors' Forum began on October 8 and will continue to be broadcast over Station WGN in Chicago from 5:30 to 6:00 p.m. each Sunday afternoon through Jan. 7. Despite competition from several popular programs on other channels, the Forum has an audience estimated at from 250,000 to 300,000 each week. Arrangements are now being made to syndicate the program to channels in other cities throughout the country.

Northern Ohio Group Participation in Junior Achievement Program

In a fund raising drive this past spring the Group raised approximately $1,100 for the Junior Achievement program in Cleveland. In addition a $350 scholarship was established to be awarded annually to an outstanding Achiever of the year. The Group publicizes the public offering of stock in J. A. companies being formed in the fall and purchases 5% of all stock offered by such companies. Participation in the J. A. program by the investment fraternity will help promote the private enterprise system among high school students.

IBA Member Activities During 1961

A separate section of the December Bulletin is designed to aid IBA members in planning their own programs by presenting a review of programs and activities being promoted by other member organizations. Activities conducted by more than 65 IBA member organizations are briefly described. Many members participated in one or more of the following programs:

- Public Lecture courses and Forums
- Radio and Television programs
- Formal internal training programs
- Junior Achievement assistance
- Cooperation with schools and universities
- Active advertising and promotional programs
- Open-house meetings for public
- Showing of IBA Films

1961 Institute of Investment Banking Essay Competition

Harold H. Sherburne, Chairman of the Institute Planning Sub-Committee, announced the winners of the Institute essay contest and President George A. Newton awarded the prizes for the two best essays. Mr. Sherburne is a partner and manages the New York City office of Bacon, Whipple & Co. (See page 63.—Ed.)

Editor's Note: Following are members of the Education Committee:

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Chicago, Ill.

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Alden & Co., Inc.
Louisville, Ky.

Walter E. Auch
Bache & Co.
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L. B. Schwinn & Co.
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James E. Snyder
A. C. Allyn & Co.
Chicago, Ill.

Frank E. Voysey
Kidder, Peabody & Co.
Chicago, Ill.

Wendell W. Witter
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Dean Witter & Co.

George R. Young
Kay, Richards & Co.
Pittsburgh, Pa.

R. C. Chapman, *Fulton, Reid & Co.*, Cleveland; Jack R. Staples, *Fulton, Reid & Co.*, Cleveland

Mr. & Mrs. Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco

Mr. & Mrs. George Wendt, *First National Bank of Chicago;* Paul Wm. Cutler, *Chapman & Cutler*, Chicago

The Investment Banker and Merchant Marine Financing

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defense." The result is that today **all** the unpaid principal and **all** the unpaid interest on ship mortgages and loans are insured by the United States.

Pledge of Government's Credit

In further support of the insurance, Title XI provides:

(1) That "faith of the United States is solemnly pledged to the payment of the interest on and the unpaid balance of the principal amount of each mortgage and loan insured under this title";

(2) That "each insurance contract . . . shall run to the mortgagee or lender and be for the benefit of such mortgagee or lender and the holders of the obligations secured by the mortgage or evidences of the loan, and if the mortgagee or lender is a trustee under a trust indenture, for the benefit of the holders of the bonds or notes issued under such trust indenture";

(3) That defaulted mortgages and loans may be assigned to the government without foreclosure by the mortgagee or lender;

(4) That amounts required to be paid as insurance "shall be paid in cash";

(5) That contracts of insurance entered into pursuant to Title XI are incontestable from the date as of which such contracts are entered into, except for fraud, duress, or mutual mistake of fact, and that such contracts are conclusive evidence that the mortgage or loan complies with the provisions of Title XI and that all the terms of the mortgage or loan, as well as the mortgagor or borrower and the mortgagee or lender, have been approved by the Secretary of Commerce; and

(6) That the Secretary shall find that the property or project with respect to which the mortgage or loan will be executed "will be, in his opinion, economically sound."

Benefit of Bondholders

The insurance contract is for the benefit of the holders of bonds issued under trust indentures, while in the early financings, these consisted of a single note or bond for the entire amount of the mortgage, it soon became evident that there was a much wider market to be tapped by the issuance of serial bonds in smaller denomination and in the sale of these bonds to the public. Accordingly, it was appropriate in the first public offering of Title XI bonds to give such bonds the title "United States Government Insured Merchant Marine Bonds." The first of these bonds were issued and sold—and we believe quite successfully for a first offering—by Grace Line, in 1958. This public offering of bonds was accomplished under specific provisions of Title XI permitting trust indentures and the issue of bonds thereunder.

Since this was to be the forerunner of many similar issues, much work was required. First, many months of work by Grace Line, the underwriters, the trustees and the Maritime Administration, and their staffs and counsel, were required in the preparation of suitable documents. At the same time it was necessary to determine the problems inherent in a public offering and to take action to insure success. Meetings were held with underwriters and rating agencies. Prospective markets were consulted.

Attorney General's Opinion

The Attorney General also rendered an opinion stating, in part, that "contracts of insurance entered into in accordance with the title would establish a valid and binding obligation of the United States," and that "it is . . . appropriate to conclude that Congress intended to place the obligations assumed by the United States under a contract of insurance pursuant to Title XI on a parity with the obligation which it assumed with respect to its interest-bearing obligations." He also stated that the absence of a pledge of the "credit" of the United States was not significant. The Attorney General further concluded that the obligation of the United States under insurance contracts and the pledge of faith which evidenced that obligation were not dependent upon the availability of appropriations. Nevertheless, the Congress in order to assure the acceptability of the bonds, to produce a satisfactory interest rate, and to create an interest by investors in the American Merchant Marine, granted authority for the Secretary of Commerce to borrow from the Secretary of the Treasury moneys with which to pay insurance in cash to the extent the Federal Ship Mortgage Insurance Fund provided by statute proved to be inadequate.

The Comptroller of the Currency ruled that the limitations and restrictions contained in Section 5136 of the United States Revised Statutes, as amended, as to national banks dealing in, underwriting, and purchasing for their own accounts investment securities would not be applicable to United States Government Insured Merchant Marine Bonds; and the Securities and Exchange Commission concurred in an opinion that registration of the bonds under the Securities Act of 1933 and qualification of the indentures under the Trust Indenture Act of 1939 were not required.

Pre-Financing Authorized

At a later date—in 1959—the public offering of bonds was further facilitated by an amendment of Title XI to permit the sale of bonds in advance of payment of

actual cost of ships on the basis of a deposit of bond proceeds in escrow with the Secretary of Commerce, pending disbursement. Also, in 1959, more flexibility was added by an amendment permitting owners to defer placing mortgages on their ships until after delivery.

Notwithstanding the existence of the pledge of faith of the United States to the payment of principal and interest on Title XI loans and mortgages, it is our hope that lending institutions will continue to bear in mind in their negotiations with Title XI applicants the following excerpt from our Title XI regulations:

"The imposition of financial covenants upon the borrower or mortgagor under the circumstances of the particular financing is regarded by the Secretary (of Commerce) as the initial responsibility of the lender or mortgagee."

This is not intended to suggest that we are desirous of building into the loan agreement a great number of technical defaults. On the contrary, we would prefer that defaults running to the lender or mortgagee be limited to such substantive matters as failure to pay principal and interest, or failure to carry vessel insurance, leaving to the government sufficient discretion and flexibility to cope with emergent situations and yet protect its interests without any additional risk to the lender or mortgagee. What we intend to suggest is that the lending institutions not adopt an attitude of relying solely upon the Title XI insurance, but that the transaction be regarded initially as a commercial venture and lastly as a government - guaranteed project. In this manner, the government will have the benefits of possible financial safeguards which otherwise might not be available to it, with the resultant probability that the termination of investments by reason to defaults will be less likely to occur.

The element of risk is inherent in all insurance programs, and Title XI is certainly no exception to this rule. Actually, were it not for the risks which are particularly prevalent in the shipping industry, with its wide fluctuations of the charter rates and peaks and valleys of prosperity and depression, there would be no necessity for a Federal ship mortgage insurance program since adequate financing could be obtained from lending institutions without government aid.

Only Three Defaults

Thus far, it has been necessary to foreclose on only three mortgages, and we have adequately demonstrated to lending institutions the stability of our insurance program by cash payoffs aggregating nearly $7,000,000 to the lenders upon default by the shipowners. The mortgage on the trailership CARIB QUEEN was foreclosed and the ship turned over to the Navy, where it is being successfully operated to the government's advantage. The LEILANI was recently resold to American President Lines and is being reconstructed into a first-class passenger ship for use in its transpacific trade. The freighter COAST PROGRESS is presently being offered for sale under competitive bids.

In order to avoid other potential defaults, the Maritime Administration has, to date, made principal payments to owners of six tankers and two containerships aggregating approximately $1,131,000. The necessity for making these advances arose from the seriously depressed condition of the shipping industry, particularly the tanker segment. Tanker charter rates, as a direct influence of the Suez crisis, plummeted from a near record high in early 1957 to a record low which has persisted with minor seasonal variations. As a result, the independent U. S.-flag tanker owners, whose tankers were built without construction - differential subsidy and who have operated without operating-differential subsidy aid, were forced to lay up their ships or operate them at rates far below a break - even level, suffering heavy financial losses in either case.

The Maritime Administration, having committed itself to insure ship mortgages at times when charter rates were profitable, felt that it was in the government's interest to protect and preserve its collateral by making advances of principal for account of the shipowner. As the advances of principal were applied directly to the reduction of the government's insurance obligation and since no advances were made for payments of interest, these advances did not result in any increased contingent liability of the government. These actions were concurred in by the Comptroller General of the United States.

In making these advances, we have taken due precautions to protect the government's interest, and added financial restrictions have been imposed until the advances are repaid to the government, all of which has been done with the hope and expectation that shipping rates will improve and the companies eventually will be able to operate profitably. We feel that in the not too distant future there will be blue skies for the tanker segment of the industry as petroleum requirements continue to increase and obsolete war-built tanker tonnage is either converted into dry cargo ships or scrapped. We are already currently experiencing some improvements in the market.

Deferment of Principal Payments

Some advances have been obviated by action of the mortgagees who, with the consent of the Maritime Administration, have agreed to deferments of principal payments usually for two-year periods. Ten companies have received such deferments. The alternative to making advances or consenting to deferments of principal is that of incurring the risk of having to pay the insurance in full. We much prefer to have these ships in operation where they will be more readily available in the event of a national emergency and could be quickly diverted to defense purposes. Paying off the mortgages and laying up the ships in the Maritime Administration National Defense Reserve Fleet appears justifiable only as a last resort.

Turning now to the status of the existing program, on Sept. 30, 1961, there were outstanding $356 million of insured loans and mortgages, together with commitments to insure an additional $102 million. Of the $356 million, over $100 million represented public issues of Merchant Marine bonds. The balance was composed of privately placed loans and mortgages. The lenders and mortgagees

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Mr. & Mrs. Newman L. Dunne, *Robert W. Baird & Co.*, Milwaukee; Ira B. MacCulley, *Equitable Securities Corporation*, New York; Quitman R. Ledyard, *Equitable Securities Corporation*, Nashville; H. Frank Burkholder, *Equitable Securities Corporation*, Nashville

Charles W. Easter, *Blyth & Co., Inc.*, Seattle, Wash.; William F. Morgan, *Blyth & Co., Inc.*, New York; James E. Roddy, *Scharff & Jones, Inc.*, New Orleans; Joseph W. Sener, *John C. Legg & Company*, Baltimore

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of the latter were generally commercial and savings banks, insurance companies, and trust funds of various kinds. A few of the private placements have been converted from notes to Merchant Marine Bonds.

To the present we have required a separate mortgage for each ship which resulted in a separate bond series for each ship. While each series might be relatively small, ranging from $4¾ million to $10 million, there is usually more than one ship involved, so that the total underwriting has ranged from $8½ million to $20.2 million, in two cases representing four ships per issue.

Bond Price "Nudging"

The Maritime Administration is not unmindful of the various factors which must be considered in the pricing of these Government Insured Merchant Marine Bonds and the significance of these prices to the promotion of a market. It may also be said that we have at times taken the initiative at "nudging." I have borrowed this word from responsible sources, having noted in a recent issue of the First National City Bank of New York *Monthly News Letter* that it had been added to the lexicon of the capital market. This same article commented upon the indicated interest of President Kennedy in his initial attempt at nudging the capital market through his economic message of Feb. 2, and the President since then has consistently focused attention upon the need for lower long-term interest rates as a means of stimulating economic growth and recovery.

Our nudging has been sincerely intended to be constructive. In it we have had but one desire and that to assist the underwriters and the shipping industry in developing the appropriate market which would reflect the lowest costs in recognition of the many attractions inherent in these bonds.

Up until a most recent date the nominal interest rates have ranged from a low of 4.20% to a high of 5%, except for the most recent issue which included $6 million of serial bonds maturing in from one to eight years, with the nominal interest rates ranging from 2.65% to 4¼%, respectively. The long-term portion of this issue carried a rate of 4½%.

At the time of issue, these interest rates ranged from 45 to 89 basis points over long-term governments. We believe that the latter difference is certainly too great. At the same time, these issues exceeded triple A Corporates by from 3 to 55 basis points. We believe that these differences are also too great. In fact, we believe strongly that Merchant Marine Bonds should not be compared with or related to corporate bonds.

Not in Category of Corporate Bonds

While Merchant Marine Bonds are secured first by the ship itself, second by the general credit of the company, and third by U. S. Government guarantee, it is obvious that the last named is the really significant security and the one which makes these bonds unique. This is the reason that we believe that Merchant Marine Bonds should be classified as quasi-government bonds and compared with U. S. Government Bonds and not corporate bonds. We further believe that there is adequate evidence to support a conclusion that whereas in the immediate future these Merchant Marine Bonds would most likely realistically be priced in the interest range between U. S. Government Bonds and Triple A Corporates: there is likewise adequate evidence to support a conclusion that these bonds should ultimately more closely approximate the interest level of long-term U. S. Government Bonds.

Because of the requirement that these bonds be sold at par on original issue to meet the guarantee qualifications, the nominal interest rate is somewhat more significant than with other bond issues. The U. S. Government insurance virtually guarantees that the purchasers of the bonds will be repaid. Because of the possibility of default by the borrower, this repayment may occur prior to maturity. This is a factor which cannot be ignored but which, relatively, is not very material. Therefore, we believe that we are now at a point where Merchant Marine Bonds should, in general, not yield at original issue more than 50 basis points higher than outstanding long-term governments. This aim has already been reached with two issues and been beaten in one of them.

We further believe that, after more education of the investing public and further seasoning, this point differential can be reduced. We recognize that many other factors enter into the pricing of all securities, but we are convinced that this aim is a reasonable one.

Future Bond Issue Prospects

What is the future of U. S. Government Insured Merchant Marine Bonds? There are 15 steamship operators in the foreign commerce of the United States who are performing under operating-differential subsidy contracts with the Maritime Administration. By the terms of these contracts, most of which are for 20 years, the operators are required to replace their fleets with new ships built in American shipyards. Currently, these subsidized operators are scheduled to contract for 214 ships within the next 15 years. The estimated cost to construct these ships in American yards is $2,694 million. The difference between that and $1,379 million, representing the estimated cost to construct these same ships in foreign yards, will be eligible for payment by the United States as construction - differential subsidy. The $1,379 million must be supplied by the subsidized operators from their own or borrowed funds.

Under Title XI the owner of a ship built with construction-differential subsidy may borrow on a U. S. Government insured mortgage up to 75% of the owner's cost. There are some relatively insignificant differences between actual cost for Title XI insurance purposes and capitalizable cost. Consequently, it can be said that approximately 75% of the owner's cost or $1,034 million may be borrowed by the means of U. S. Government Insured Merchant Marine Bonds over the next 15 years to carry out the requirements of the subsidy contracts.

The combined net worth of the 15 companies at Dec. 31, 1960 was approximately $757 million and they had on deposit in their statu-

tory reserve funds as of June 30, 1961 approximately $310 million in cash and readily marketable securities. The entire $310 million is not available for ship construction because of various contractual restrictions and because of the need to retain funds adequate to meet current amortization of mortgages on their presently owned ships. But the greater portion of it will be available for this purpose.

In addition to the subsidized operators, there is considerable interest in Federal Ship Mortgage Insurance for other types of ships. These include coastwise operators; roll-on roll-off and container ships, and applicants for operating-differential subsidy. There are applications on file with the Maritime Administration for approximately $57 million in mortgages over and above the subsidized operators potential. These applicants are, in general, somewhat less strong financially; however, it is safe to presume that Merchant Marine Bonds of these operators issued under Title XI insurance would receive a triple A rating, as have others in a similar category.

With outstanding insured loans and mortgages of $356 million, commitments for an additional $102 million, applications on hand for a further $57 million, and a potential borrowing of $1,034 million, it is obvious that the present statutory ceiling of $990 million may not be sufficient. Should this prove to be the case, the Maritime Administration would most certainly give consideration to proposing to the Congress that the ceiling be raised.

To sum it all up, there appears to be a very sizable potential future requirement for borrowed capital in the form of U. S. Government Insured Merchant Marine Bonds, and the Maritime Administration is going to be looking to Investment Bankers to develop a supply of capital at reasonable rates.

In consenting to advances and deferments and in settling the problems which have arisen between the owner, the lender, and Maritime, we have accomplished a very close and satisfactory relationship with the lending institutions. We are confident that we have a program which is daily becoming more attractive to lenders throughout the country. Ample evidence of this fact has been disclosed by the entry of new lenders into this field. We have a large program for the future which we feel will be attractive throughout the broad spectrum of investing groups, and we believe that the securities are of such soundness as to be virtually without risk to lenders. On these grounds, we anticipate a most favorable response from all facets of the lending market. If short- and long-term loans, fully insured by the government, can be obtained by shipowners upon reasonable terms and conditions, we do not foresee the return of the Maritime Administration to the role of lender or mortgagee in competition with commercial lending institutions.

*An address by Mr. Nichols before the 50th Annual Convention of the Investment Bankers Association of America, Hollywood Beach, Fla., Nov. 28, 1961.

Mr. & Mrs. Claude D. Seibert, *Commercial & Financial Chronicle*, New York; Milton J. Hayes, *American National Bank & Trust Company*, Chicago

Cushman McGee, *R. W. Pressprich & Co.*, New York; Mr. & Mrs. Delmont K. Pfeffer, *First National City Bank*, New York

Clarence Davis, *First Cleveland Corporation*, Cleveland; Franklin L. Schroeder, *Braun, Bosworth & Company*, Toledo

Mr. & Mrs. Marquette de Bary, *F. S. Smithers & Co., New York;* Mr. & Mrs. Norman W. Stewart, *F. S. Smithers & Co.,* New York

Mr. & Mrs. David Callaway, *First of Michigan Corp.,* New York; Mr. & Mrs. Walter Morse, *Lehman Brothers,* New York

Dilemma Confronting U. S. Regarding Latin America

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his true colors: Brief military mock trials resulted in mass execution. Freedom of the press vanished. The lucky ones in opposition to him were banished; most were jailed or shot. Property was seized, without compensation. Callously, he began purging the very Cubans who had helped him attain power.

Communists Took Over

Then Castro-communism became evident. The Communist party of Cuba, which once had supported Batista and dismissed Castro as of no importance, became the sole political party of Cuba. Communists took charge of the armed forces and of all economic and social planning. Trade unions, university faculties, professional groups, civic and farm organizations, were remodeled to harmonize with the communist pattern of central control and rigid adherence to directives.

This betrayal of the announced goals of the revolution amazed and shocked the people of the United States.

We broke relations and suspended nearly all trade with Cuba. This reduced Cuba's national income by half a billion dollars a year, even after allowing for the modest amount of trade which Castro developed with the Soviet Union and her satellites mostly in military items on the import side.

Meanwhile, Castro seized a billion dollars in private and public United States assets and characteristically boasted that there would be no compensation. The reaction among United States private investors was immediate, and it affected all of Latin America. The flow of private capital, which had reached a total of $600 million a year in 1958, dropped to less than half that amount.

It was at this stage that opinion in Latin America became ambivalent. The great sea of underprivileged, with no vested interest in the established orders of their own countries, continued to praise the Cuban revolution. They believed they were witnessing a repetition of the Mexican revolution which began in 1910. It, too, had had its years of extremism, but eventually smoothed out into a program of moderate and continuing economic development with considerable justice for all classes of the population. The masses of Latin America concluded that extremism was an inescapable phase of any movement to change an historic system that had yielded them in their own countries nothing but illiteracy, poverty, and hopelessness. They overlooked the fact that leaders of the Mexican revolution sincerely sought to create a democratic society. Expropriations of property were accompanied by compensation. There was never even a hint of the imposition of an extra-continental authority on Mexico; indeed, no country is so wedded to the concept of independence and non-intervention by any external power as is Mexico.

Fortunately, most Latin American Presidents, cabinet ministers, and other knowledgeable leaders saw Castro-communism for what it is. Many who at first were sympathetic soon became disenchanted. Half of them withdrew recognition from the Castro regime. At San Jose, Costa Rica, in August 1960, they joined in condemning foreign intervention in the affairs of the hemisphere. But these same leaders have hesitated to take collective action against Castro, for they know that in their own countries there exists the grave danger of uprisings by the oppressed. They know that the problem confronting them is as dire and as simple as this:

Either they will bring about, by peaceful means, rapid social reform that promises justice for all classes, or they, too, will face violent revolutions which could easily result in communist dictatorships. This would be catastrophic for them and for us. If the nations of this interdependent hemisphere cannot progress together in freedom, in the face of the modern world menace, one would indeed have to be pessimistic with respect to the larger world where the historic record of dependable cooperation is less persuasive.

IV

President Eisenhower's Program

Surely no one can doubt that we must do all we humanly can to keep Latin America free, independent, and democratic.

This has been the heart of our Latin American policy from the time the last of the Latin republics became independent in 1824, and the policy has, since the Good Neighbor concept was proclaimed in 1933, led us into more and more programs of assistance.

In August, 1960, President Eisenhower took action which significantly changed our approach to this vexing, complicated problem. It was obvious at that time that merely putting more private and public funds into Latin America would do little good, if such aid only succeeded in strengthening the prevailing order with all its injustices. He therefore asked the Congress to authorize an initial appropriation of half a billion dollars for what, in verbal shorthand, I shall call social loans — loans for land reform, schools, low-cost housing, and other developments which would have an immediate and visible impact on the welfare of the submerged masses of Latin America. It was understood that the loans were to foster self-help projects, with the recipient governments and individuals meeting a high percentage of the cost from local funds. It was also understood that the new loans would be conditioned on the Latin governments' proceeding promptly to make changes in their laws and structures which would permit the new funds to have a genuine impact on the key problem.

The intentions of the Latin American leaders were made clear a few days after Congress approved the President's plan. At Bogota representatives of most of the Latin nations — the Cuban foreign minister being a notable exception — declared their firm intention to bring about an equitable distribution of the ownership of land (for in some countries today 2% of the people may own half of all the land, and the workers of that land may receive little if anything in wages); they agreed to revise their tax systems to obtain local capital to promote economic and social development and as a means of overcoming flagrant injustices; they laid plans for the rapid construction of self-help, low-cost housing, and said they would develop local savings institutions as a means of obtaining much of the capital for this purpose; they expressed their determination to foster methods of mass education for the eradication of illiteracy, and institutions for improving the health of all their peoples. In short, they promised to carry forward, by peaceful and democratic methods, rapid social change which would avoid bloody revolutions and would achieve goals which we of the United States long ago had attained.

This was the situation when President Eisenhower left office and President Kennedy assumed the Presidency of the United States. Shortly after he took office, President Kennedy summoned the diplomatic representatives of the Latin American nations to the White House and proposed the Alliance for Progress. The Alliance is, in effect, the implementation of the Congressional Act of September, 1960, and the Act of Bogota. Then, in August of this year, Ministerial

Mr. & Mrs Charles C. Pierce, *Rauscher, Pierce & Co., Inc.*, Dallas; H. H. Sherburne, *Bacon, Whipple & Co.*, New York; B. Franklin Houston, *Dallas Union Securities Co., Inc.*, Dallas

Mr. & Mrs. Herman B. Joseph, *Joseph, Mellen & Miller, Inc.*, Cleveland; Mr. & Mrs. James F. Jacques, *First Southwest Company*, Dallas

representatives of the Latin American nations met at Punta del Este, Uruguay, and spelled out in greater detail the steps they would take to effectuate the declarations they had made at Bogota. It was at the Punta del Este Conference that the United States guaranteed that Latin America would receive from external sources $2 billion a year for the next ten years to help with the social revolution envisaged by the Act of Bogota and the Charter of Punta del Este.

V

Two Critical Questions

Two critical questions must now be raised: First, will the Latin American countries actually carry out the promised reforms, save freedom and democracy in this hemisphere, and thus give us justification for the sacrifices the United States is expected to make? And, second, can we carry out our commitment without adversely affecting the financial position of the United States, both domestically and internationally?

As to the first question: The answer patently depends on the outcome in each country of struggles among forces of communist imperialism, domestic reaction and democratic liberalism.

In Latin America are 200,000 dedicated communists with about $100 million dollars a year at their disposal for subversion, cheating, lying, infiltration, and adroit efforts to promote discord. They are organized on the Leninist principle that only the most dedicated and trustworthy may be members of the party. Others may be their fellow-travellers. Fortunately, communists and their followers constitute a small minority—but it is a sly and a disproportionately influential minority.

The communists and fellow-travellers are bitterly opposed to the Alliance for Progress. Through some 300 of their own publications and on purchased radio time, they are attacking the Act of Bogota and the Charter of Punta del Este with uninhibited violence. They do not want peaceful change. They want bloodshed, for in violence they believe they will have their greatest opportunity to seize power, as they did in Cuba where only 25,000 belonged to the communist party.

Communists in Latin America have succeeded in infiltrating a good many trade unions and university student groups. Laborers in Latin America ordinarily do not make wages sufficient to permit them to pay union dues. The trade unions therefore turn to others for financial help. The communists give it—for a price. Today, they control unions with a total membership of 1,000,000, which, again, is a minority. Their technique with university students is different.

In most Latin American universities one may remain a student, even without attending classes, so long as certain modest annual fees are paid. And so it is easy for a so-called university student in his 30s, 40s, or even 50s to achieve prominence in the student body and carry on subversive activities, thus creating the impression that young intellectuals of Latin America are anti-American and pro-communist.

This is a false impression, as I shall indicate in a moment.

The Other Extremists

At the opposite extreme from the communists are the Latin American oligarchists—the latifundistas who own vast empires of land on which workers are held in feudalistic misery; the military elite who have been given every privilege by those who wish to retain power and the very rich who often send their surplus wealth to the United States and Europe for investment rather than keeping it at home where it could contribute to industrial, agricultural, educational, and social development. Some of these extremists are, like the communists, opposed to the Alliance for Progress. They want no change from the privileges they and their families have always enjoyed.

These are the elite who for generations have permitted palace revolutions, dictatorships, democratic regimes, and changes of uniforms—their only requirement being that inherited privileges not be disturbed. However, some of the elite realize fully that the stratifications of the 15th and 19th centuries cannot be sustained in the 20th and that they must therefore foster democratic development or suffer as have the former privileged of Cuba.

Between these two extremes are the democratic groups—ranging from some of the military and financial privileged and highly educated, through nearly all of the middle classes, to the desperately poor and illiterate. If these groups were in the United States we would call some of them conservatives, some middle-of-the-roaders, and some leftists. They cover a broad political spectrum. But, as with most of our people, they want to preserve democratic institutions. They want nothing more extreme than the type of social justice we ourselves are fortunate enough to enjoy in our mature and successful society.

Political leaders in this democratic category include such intelligent men as Beltran of Peru, Frondizi of Argentina, Alessandri of Chile, Lleras Camargo of Colombia, Betancourt of Venezuela, Lopes Mateos of Mexico, and others.

Masses Without Spokesman

The submerged masses, however, have few spokesmen. They are not articulate. If they speak, they may in some countries be dispossessed by their landlords of their huts and what little land they now occupy. They have as yet little organized power. In general, the masses are silent, suffering, angry. Into this vacuum, the university students have moved as a potent political force. By one example, I can per-

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George Meyer, *Bache & Co.*, New York; Mrs. Henry Simonson; Mrs. Walter J. Smith; Henry Simonson, *National Securities & Research Corp.*, New York; Lewis J. Whitney, Jr., *Dempsey-Tegeler Co., Inc.*, Los Angeles; Walter J. Smith, *National Securities & Research Corp.*, New York

Mr. & Mrs. Alger J. Jacobs, *Crocker-Anglo National Bank*, San Francisco; Mr. & Mrs. William H. Cooley, *Television Shares Management Corp.*, Chicago; Ernest E. Keusch, *W. E. Hutton & Co.*, *New York*

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haps show the flavor of the student movements.

In Santiago, Chile, a litle more than a year ago, I spoke with the President of the Chilean Student Federation. The Federation has a membership of 25,000 drawn from seven Chilean universities. The leaders were elected by free and secret vote, and represent a wide range of political views. The student president stated, however, that all of them are Christians, anti-communist, pro-democratic, and liberal in their outlook.

The leader asked this question: "Has the United States become a satisfied nation, one which fights for the maintenance of the prevailing order in Latin America? This dangerous image is being accepted more every day. If this is true, we must respectfully say to you that the United States will have little or nothing to offer the younger generation and the immense multitude of the poor who compose 90% of the Latin American population."

The Choice: Work and Bread or Communism

In the United States and Western Europe, he went on, it made sense to fight for the prevailing order, because social order represented values widely shared: Personal freedom, social justice, equality before the law, high cultural, scientific, and technological levels, and satisfactory standards of living for all who were willing to work. But to defend the existing social order in Latin America meant only maintaining the privilege of a thin layer of the population which controlled the power and wealth, surrounded by an ocean of poor people to whom the existing social order meant nothing. Two out of five were illiterate. Two-thirds lived in a state of chronic malnutrition. The average income was less than $275 a year each.

The students were bitterly opposed to communism. "There are," he said, "impassable barriers separating us from communist ideology and methods, but no one should be deceived: The West has been successful in spreading throughout the world a certain scale of values that symbolizes modern civilization. If Christianity and democracy fail in the coming ten or fifteen years in giving work and bread, dignity and security to the poor, then the fiery breath of communism will cover the earth."

This moving statement by a university leader should not be passed by lightly. University students in Latin America may not speak for political leaders. I think they often do speak for humanity.

My own assessment is that the democratic forces in Latin America **can** prevail. But they must move rapidly and they must have our active help. This brings me, then, to the second and final question I posed a moment ago.

VI

At Punta del Este the Latin American nations committed themselves to social reform projects that will cost about one hundred billion dollars in the coming ten years. Twenty per cent of this must come from external sources, mainly the United States.

The obligation on us is not as great an increase in foreign spending as might at first appear. If the Export-Import Bank, the Development Loan Fund, the Inter-American Bank, the World Bank and its subsidiaries, and private lending institutions of the United States continue to invest in Latin America at about the average rate of the past five years, and if other industrialized nations of the world extend credit to Latin America at no more than the reasonably contemplated rate, then our commitment, above recent averages, would amount to from three hundred to five hundred million dollars a year for the next ten years.

This is, of course, an extremely serious matter, in the light of our current international financial imbalance. Our dilemma, as I see it, is that we cannot possibly afford **not** to meet commitments to Latin America, but neither can we seemingly afford to finance them.

What U. S. Must Do

Difficult choices and actions must be taken. In my judgment we must insist that other industrialized nations of the world assume a substantially larger share of the free-world burden of economic and military assistance. Their present unprecedented prosperity is partly a consequence of our assistance to them following World War II. They must now match our generosity. We must be even sterner than we have been in having the highest possible percentage of aid funds spent in the United States so that loans and other assistance represent exports of goods and services, not an outflow of dollars. All nations in Europe and the periphery of the Soviet Union and Communist China must carry a greater share of the military burden, thus gradually reducing demands on us. Concern is justified for the overseas expenditures of Americans who are travelling abroad in tremendous numbers. We obviously must do all we can to increase our export of agricultural commodities and manufactured goods; this places a profound obligation upon labor and management alike to keep our prices competitive with those of other exporting nations. We must constantly re-examine what we are doing in the whole realm of foreign aid, eliminate the least essential activities, and concentrate on the imperative. We must keep our interest-rate structure such that private funds are not induced unnecessarily to seek better investment opportunities in other industrialized nations. As technology continues to develop at a logarithmic rate, the Defense Department must consider whether a greater share of our massive military establishment would not be as effective for security purposes with fewer foreign installations.

Finally, I would contend that if all such efforts combined do not suffice to assure financial stability, then we must decide in terms of our own self-interest which areas of the world most need our assistance and there concentrate our aid, risky as such a choice might be. I am deeply convinced that the Western Hemisphere and Western Europe **must** remain free. Otherwise, freedom will fall around the globe like dominoes in a row. Of course we want all nations to enjoy the blessings of liberty, but we must accept the fact that the United States cannot for long be the Atlas of the world without danger of collapse.

The time is obviously here when all peace-loving, freedom-loving nations must, in their own interest, share the burdens of promoting human advancement while stifling the ghastly totalitarianism that seeks to engulf us.

***An address by Mr. Eisenhower before the 50th Convention of the Investment Bankers Association of America, Hollywood Beach, Fla., Nov. 30, 1961.**

Mr. & Mrs. Davies Robertson, *Albert McGann Securities Company*, South Bend, Ind.; Mrs. P. Fred Fox, New York City; Mr. & Mrs. Harry Michels, *Allen & Company*, New York City; William Sellew, *J. R. Williston & Beane*, New York City

Mr. & Mrs. Merrill D. Freeman, *Salomon Brothers & Hutzler*, New York; Mr. & Mrs. Harry Brown, *Salomon Brothers & Hutzler*, Chicago; Mr. & Mrs. Justin T. Ottens, *Salomon Brothers & Hutzler*, New York

Thy Neighbor's Dilemma

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fluctuated between **15 and** 25% of Canada's GNP.

Trade Imbalance Must Be Corrected

Obviously, it's imperative that Canada bring its trade, particularly with the United States, into better balance. Prolonged trade imbalance for a country leads to the same result as prolonged imbalance does for a tight rope walker. Canadians are becoming realistic enough to see that the compensating capital inflow will not continue forever. And, in fact, they are disturbed at what this capital, mainly employed in equities, could mean in terms of self-determination. Another alarming factor is that the servicing of this investment means a growing tide of outflow payments of interest and dividends.

This aspect, I would suggest, is one of compelling self-interest for the American investor as well. The only real way that this mounting debt can be serviced is through a favorable Canadian balance of trade. There are limits to which Canadians can go and are willing to go in selling assets to pay for interest, dividends and debt retirement. Beyond, only goods and services and returns on Canadian investment abroad can earn the foreign exchange necessary to discharging Canadian obligations. Thus, I suggest, it behooves American investors in their own interest to strive for policies, within their own spheres of influence and in government, that will make this possible.

A number of short-term measures to alter the trading pattern could be implemented by Canadians themselves and, indeed, some have been. That which has received greatest prominence has been the devaluation of the Canadian dollar. This has given Canada some slight trade improvement, but nothing substantial. While I believe this has been a useful and a necessary step in view of Canada's critical trading position, it is only a partial and minor answer to the problem. In fact, there are limits to which devaluation can go inasmuch as the cheaper the Canadian dollar becomes, the more direct investment it encourages and, of course, the greater the upward pressure on its value. It is equivalent to a tariff on **all** imports and an incentive on **all** exports and with no selectivity whatsoever.

We still hear the suggestion, which I consider to be about two decades outdated, that we settle all this by relying on balanced multilateral trade. I was once a proponent of the General Agreement on Tariffs and Trade, and Canada has been GATT's best friend and most loyal supporter. And, in fact, it did work for a while in the immediate postwar years but has since failed, from lack of adherence to its principles by nations other than Canada. The trading blocs being formed in various parts of the world attest to GATT's passing. And there has been other evidence in individual actions by member countries.

"100% Discrimination"

In speaking of GATT's approval of the European Economic Community, Professor Johnson of the University of Chicago says: "GATT embraces the self contradictory principle that discrimination in international trade is immoral unless it is 100% discrimination."

The European members of GATT have openly barred entry of Japanese goods although Japan is also a member. Perhaps this is one major reason why, as I sense it, there is more concern over the Japan-U. S. trading position than the Canadian-U. S. trading position. This is exemplified by this press dispatch in the *Wall Street Journal* dated Nov. 6, 1961, from Hakone, Japan:

"Both Japan and the U. S. are deficit countries," commented Walter Heller, President Kennedy's top economic advisor. "Let's export our goods and our problems to third countries."

May I remind you that Canada has been on the receiving end of such a philosophy for decades and that Canada's current concern is, to say the least, overdue. Incidentally, Japan's current payments deficit is the equivalent of $600 million, that is, $6 per capita. Canada's is $1.1 billion, or $60 per capita.

Unless Canada is to attempt to "go it alone," it must accommodate itself either to an American trade bloc or to a European trade bloc. Any one of these three possibilities is bound to inflict an economic upheaval upon her. "Going it alone" would perhaps call for the greatest sacrifice. It would insure maintaining her separate identity but at a terrific price. She is approaching the crossroads on the horns of a dilemma—and that is an uncomfortable position to be in.

Joining the EEC, as currently operated, would mean producing goods at American costs to sell at European prices. The "free movement of labor" clause in the EEC charter would mean the end of Canada's long standing policy of selective immigration. It would mean transferring from the first fiddle desk of the Commonwealth Symphony to the second piccolo spot in the EEC band. Such is not true in the case of Britain's application to join the EEC because Britain can hope to play a leading, perhaps dominant, role in European economic affairs. Incidentally, I have heard countless complaints in the past about that Commonwealth Symphony and its old theme song "Empire Preference Forever," written in Ottawa in 1932.

Over the years, the U. S. has complained about the system of Commonwealth preferences. It is true that the chief advantage of Commonwealth preference was to give Canada and other members an edge over U. S. and continental European competition in United Kingdom trade and trade between Commonwealth countries. In fact this has worked to the U. S. advantage. It has resulted in a very favorable balance of Canadian trade with the U. K., and the excess so created has permitted Canada to withstand in part the weight of the unfavorable balance of trade with the U. S. The disappearance of Commonwealth preferences and the almost inevitable balancing of Canada-U. K. trade is bound to dictate to Canada a closing of its trade gap with the U. S.

Forming a trade bloc with the U. S. is not regarded with any

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Taken on the Cleveland Boat Ride

Taken on the Cleveland Boat Ride

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enthusiasm in Canada. As a distinguished former deputy minister of trade and commerce recently said: "In a free trade arrangement with the U. S., Canada would be submerged without a trace." Canada is looking for a 50-50 deal and sees none on the horizon; she must join some club, and she is looking for one where membership offers the same privileges to all members.

Even Britain decided she had to belong to a club, and initially decided to form her own. But then she changed her mind and decided to apply for membership in the already established one. If circumstances forced the U. K. to abandon any thought of "going it alone," much more so do they force Canada to do the same.

If a country, any country, had a choice of economic affiliation it would be inclined to give primary consideration to that economy which offers the biggest market and the best chance to be competitive. For this reason, there are some influential Canadians who would favor economic affiliation with the U. S. where a tremendous market has tariffs higher than Canada's and where, of all the countries in the world, wage rates are the most comparable to those prevailing in Canada.

More Exports Not the Answer

In order to correct our imbalance of international trade, we hear much from Ottawa about increasing Canadian exports by vigorous selling methods abroad. Certainly, this idea has great merit **and** great limitations. To count exclusively on increased exports to correct the situation would be highly unrealistic. As I see it, this is like asking the Sales Department to solve the problems created by the Manufacturing Department, the Finance Department and the governmental taxing authorities. Sweeping these problems under the Sales Department's rug never has solved anything, nor is it going to do so.

By my calculation, it would take an increase in exports of 8.6% per year to balance imports and to eliminate the balance of payments deficit by the end of a five-year period, without allowing anything for retirement. To understand the magnitude of this task, contrast this 8.6% with the cold fact that Canada's average annual increase in commodity exports was only 4.2% in the decade of the Fifties and has fallen to 2.3% per year during the last five years. This will not be easy to counteract in view of the increasing "road blocs" thoughout the world. We are coming to realize that foreign markets, particularly for manufactured goods, offer little hope of expanding our industry to optimum levels.

Thus, we must more and more set our sights on the home market, where almost 40% of commodities used are imported. The comparable figure for the U. S., incidentally, is 12%.

A growing number of Canadians, and many of their elected representatives, are swinging to the view that a selective and constructive use of tariffs will best further Canada's interests at this time. They believe this will be the most effective way of discouraging some imports and of boosting domestic production to economic levels in our most highly-productive industries and thus, of reaping the benefits of lowered production costs.

How would such tariffs be set? The first decision to be taken would be whether a given product should be produced domestically or imported. The idea is not that we might grow bananas or orchids in Canada but that we improve our yardsticks for determining the products that can be produced economically there. The main criterion would be making the fullest and most effective use of our resources, but giving more attention to manpower than to horsepower.

Because of the crying need for an adjustment mechanism, I think the U. S. should get set to see a more protectionist attitude taken in Canada in the period ahead. I believe it will be a necessary reflex action taken only in economic self defense. It will be no more anti-foreign in spirit than are the protectionist fences being erected in Europe. It will be just a pro-Canadian exercise in survival.

Some jokester long ago described national financing as "one generation paying the last generation's debts by issuing bonds for the next generation to pay." In Canada's case, the situation is far more serious: we are not only financing our deficits by borrowing but by actually selling the ownership of our natural resources and our production facilities. We are in effect living off capital and, in the process, seeing control of a constant string of Canada's largest enterprises go beyond its borders.

Many of our American friends, who do not fully appreciate the seriousness of this situation, chide Canadians for being unduly worried about it. In so doing, they show that they broadly misunderstand Canadian motivations and feelings. Let me state most explicitly that Canadians acknowledge that American (and other) capital has stimulated Canadian growth and development to a tremendous extent. Canadians fully realize what this has meant in terms of jobs and living standards. They also acknowledge with appreciation that, in the main, this financing and control, where it exists, has been considerate and statesmanlike.

But, like any self-respecting man—and Canadians are a proud, ruggedly independent people—the country wants to be reasonably self-sustaining and reasonably able to develop, direct and manage its own affairs.

Frankly, it is tiresome to Canadians to find that many foreign commentators still insist on drawing a parallel between British investments in the United States in its early stages of development and U. S. investments in Canada today. There is little basis of comparison.

First, a qualitative distinction: most British investment in the U. S. was bond money or mortgage money. When that was paid off U. S. citizens owned the industry. By contrast, U. S. investment in Canada is mostly in equities, which control the industry more or less indefinitely. A vast difference. And the control is extensive. Latest figures show that U. S. interests control 51% of Canada's mining and manufacturing.

To cite a few examples: our auto industry is 97% controlled from the U. S.; our rubber goods industry about 90%; petroleum and natural gas, 71%; and our electrical industry, 65%. How would Americans feel if this were the situation in the U. S.? I am sure you, too, would be anxiously considering proper counter steps, and justifiably so.

A second distinction, which is a quantitative one: foreign investment in the U. S. at its peak, before the First World War, only amounted to about 15% of Gross National Product. Currently it is down to about 3%, or about $18 billion. Foreign investment in Canada is now 62% of Canadian GNP or, about $22 billion. Looking at it another way, U. S. investment **alone** in Canada is about equal to **total** foreign investment in the U. S., although Canada has only one-tenth the population and one-fourteenth the U. S. GNP.

This inflow of capital to Canada has, of course, compensated for, and in a manner hidden, the heavy negative balance in commodity trade. It has served to keep Canada afloat. But its over-all impact, plus the problems of the nature of Canada's trade abroad and of Canadian economic growth are the subjects of closest scrutiny at this time.

What, it might be asked, can Americans do to help in this moment of Canadian re-appraisal?

I would suggest much could be done simply by attempting to understand the scale and the urgency of our problems. They cannot be easily understood in the context of the American economy, which is more mature and sophisticated. They are peculiarly Canadian problems which demand Canadian solutions. Canadians have a proud history of national growth and independence and they are naturally sensitive to anything which they feel places these in jeopardy.

Americans can also help in a tangible way. Business policies originating there can help solve the export-import problem. It is not necessary or normal that Americans buy only $16 per capita a year from Canada when Canadians buy about $207 from the U. S. We've seen encouraging examples recently, in the automobile industry for one, where the U. S. purchasing purview seems to be broadening to include Canada. Canadian rescurcefulness and diligence have been able to compete in many instances with much larger American sources of supply. The possibility of providing one or two component parts on a continental-volume basis is a tremendous boon to Canadian industry, yet it represents a negligible loss to bustling American enterprise. This practice might well be encouraged.

Canadians have noted with some concern a recent suggestion in this country that the U. S. Government take steps to force

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Mr. & Mrs. Albert Hughes, *Lord, Abbett & Co.*, New York; Mr. & Mrs. Fred Hudson, *Ball, Burge & Kraus*, Cleveland

Mr. & Mrs. Monroe V. Poole, *Geo. B. Gibbons & Co.*, New York; Mr. & Mrs. W. Neal Fulkerson, *Bankers Trust Company*, New York

Mrs. Mary Bingham; Mr. & Mrs. Richard Bingham, *Bingham, Walter & Hurry, Inc.*, Los Angeles; Curtis H. Bingham, *Bingham, Walter & Hurry, Inc.*, Los Angeles

Rudolf Smutny, *R. W. Pressprich & Co.*, New York; Mrs. Alfred Ross; John F. Reilly, *J. F. Reilly & Co., Inc.*, New York; Alfred Ross, *Dick & Merle-Smith*, New York

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Canadian subsidiaries of U. S. firms to abide by U. S. trading restrictions based on world political considerations. Such action Canadians would regard as violation of their sovereignty.

One of Canada's leading statesmen suggested a few years ago that friendly relations between Canada and the United States could not be expected to come easily or automatically. That is true of any good relationship; it requires constant attention and consideration. This is particularly so at the present time when both countries are faced with challenges at home and both are seeking the best long-term solutions.

Critical Days for Canada

These are particularly critical days for Canada, which feels increasingly that its problems are not transitory but indeed are becoming chronic, and that they call for bold and imaginative thinking and action. Canadians in large part feel that measures taken—or **not** taken—at this vital stage in their history will determine their whole socio-economic future. And they look for and hope for the understanding and co-operation of their powerful neighbor. In the case of the trade imbalance, for example, they feel that U. S. policies contribute significantly to the problem. In that of foreign control of Canadian industry, they simply intend to remain masters in their own house.

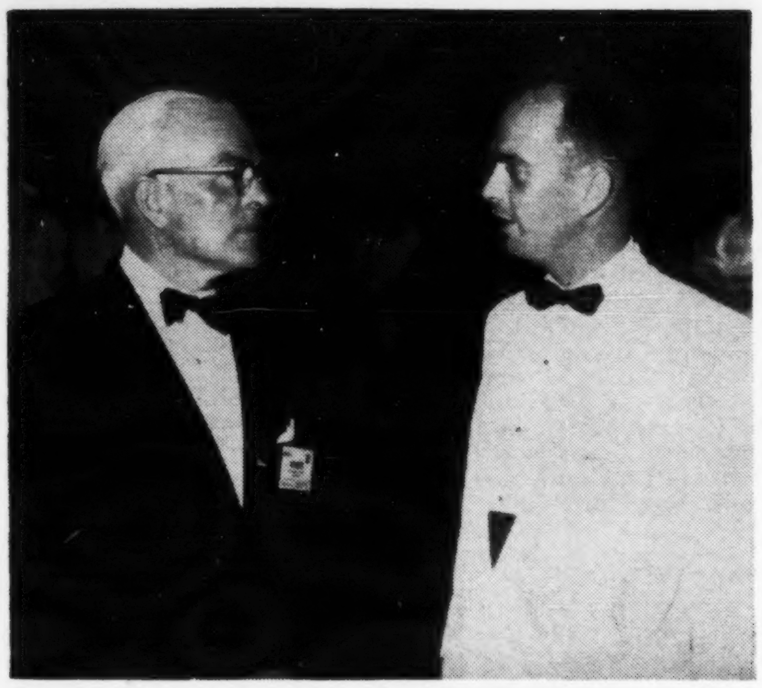
I would suggest that co-operating with Canadians in the attainment of their aspirations would be clearly in your own self-interest. In international politics, a good friend is a valuable asset indeed. Especially so in today's increasingly bitter and emotional political arenas where the emerging nations often look to neutralist middle powers for their cues.

Even more important, the United States vitally needs Canada as a strong military ally, especially when it is considered what a large hunk of geography Canada owns. Strategically, it is essential that this vast territory separating the U. S. from the Soviet Union continue to be an example to the world of international friendship and of joint co-operation in defense measures. To do this effectively, Canada must have the proper motivation, based on friendly understanding and economic vitality.

Finally, a solidly-based, healthy Canadian economy is the best guarantee of security for the billions in American capital now invested there. It is a matter not only of the protection of this investment but the servicing of it and over the decades to come the repayment of it in large measure. This will only be firmly underwritten when Canada gets back on a sound trading and operating basis.

Our continued friendly co-operation, based on mutual respect and consideration, will provide enduring grounds for our mutual advancement. The only possible drawback is that this will probably also underwrite a billion more speeches about our neighborly bliss.

*An address by Mr. Lank before the 50th Annual Convention of the Investment Bankers' Association of America, Hollywood Beach, Fla., Nov. 27, 1961.



Leroy A. Wilbur, *Stein Bros. & Boyce*, Baltimore; Leroy A. Wilbur, Jr., *Stein Bros. & Boyce*, Baltimore

Mr. & Mrs. Shelby Cullom Davis, *Shelby Cullom Davis & Co.*, New York

Mr. & Mrs. Thomas L. Ray, *Mercantile Trust Company*, St. Louis; Arthur A. Christophel, *Reinholdt & Gardner*, St. Louis

"Peace or War?"

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into plowshares, most people believe peace would be greatly advanced. In the interest of its own security, the United States has therefore been engaged ever since the end of World War II in an effort to find a sensible means of bringing about the reduction or the control of arms. It has itself set some imposing examples, all so far, however, with little success.

I am not going to give an account of all the efforts which have been made or all the failures. I was part of a serious effort and a serious failure this last spring and summer to make some progress. I had unjustified hopes that with serious preparation and goodwill a far-reaching agreement on the banning of nuclear tests could be reached. I felt that if we made this significant first step, other constructive programs could be expected to follow. I am forced now to admit that disarmament, and indeed the cause of peace, received a severe setback from the manner in which those negotiations were conducted at Geneva. It is now perfectly apparent the Soviets during the full course of the negotiations far from seeking an agreement were simply awaiting the proper moment to test. Their subsequent tests were of such a nature as to prove that intensive preparation for them must have been under way during the whole period of the negotiations, if not before.

Kremlin's Duplicity Magnifies Problem

Indeed I think the duplicity which marked those negotiations was not only a setback for disarmament hopes, but it has cast a dismal cloud of distrust over any renewed United States-Soviet exchanges. And if it be contended, as the Soviets have, both during the course of the negotiations and after, that we are likewise in bad faith, the answer is that on three separate occasions —once to Mr. Zorin, once to Mr. Gromyko, and once to Mr. Khrushchev himself, I made the proposal that we undertake a mutual inspection of our respective proving grounds to determine what, if any, preparations were being undertaken. I believe Mr. Dean also made the same proposal. In each case I was told this was not practicable. Why it was not is now apparent.

All this presents a most discouraging prospect, yet the grim urgency is still with us and in view of the character of the risks we run, I suggest that no one of us is performing his full duty if he is merely complacent or resigned. The matter is far too important to leave the entire subject of avoiding a thermo-nuclear disaster to the imagination and energy of the diplomats and the soldiers. Behind their decisions and actions there must exist a body of knowledgeable public opinion to support and stimulate government officials to well thought out methods of dealing with this vital subject. In spite of frustrations and distrust, the search for the means of honorably avoiding war in the settlement of our international disputes must go on for there is no other reasonable alternative. And the fact is it will go on unless there is a war. It is for this reason the Congress passed the Arms Control and Disarmament Bill at the last session because it saw the necessity for continuity of effort and application in connection with this problem. Republicans and Democrats alike joined in passing the bill with very substantial majorities.

Disarmament, of course, is not synonymous with peace and it must be recognized by ourselves and by the Soviets that if any hope for a general and complete disarmament program can be entertained, some better methods of settling our disputes without force or threats of force must be developed in parallel with progress on disarmament.

United Nations No Hope

Today, unfortunately, the United Nations does not afford afford much hope for constructive action, particularly after the disappointing spectacle which took place among the so-called non-aligned or neutral nations as they shrank away from any definite response to the Soviet's resumption of testing in outright violation of the moratorium. This spectacle was unfortunate for there is a great need for the existence of a moral opinion or standard in the world if progress towards disarmament is to be made, but all pretense to such authority must be abandoned if criticism is only to be directed against those who are not to be feared and moderated towards those who are. Nor is any moral restraint likely to follow if these nations seek only to equate responsibility where there is no equation. The abdication on the part of the non-aligned nations at Belgrade and to a large part in the Sixteenth General Assembly of the United Nations must be marked as another real setback to the program towards peace. I shudder to think what the resolutions would have been at Belgrade or in the General Assembly had we been the first to resume.

The chief need is to find and put to better and more frequent use an accepted means of settling our international disputes by the arbitrament of reason and law rather than war. Unless we do, we shall, as I say, never have full or perhaps even significant disarmament. We may have some forms of arms control which may be beneficial, but these will be soon swept away if we do not find a more stable means wherein our procedures for settling international disputes are maintained and effectively used.

World Court Impotent

The World Court has not been used to any appreciable degree. Too many reservations have been filed against its jurisidiction and few important matters have been brought to it. We have our own Connolly Amendment which would restrict our recourse to the Court, and others have expressed even more definite refusals to put their disputes before its jurisdiction. A good bit of study and thought has been given to the necessity for setting up new institutions of a more far-reaching character to settle disputes, but none at the moment appear likely of early adoption.

We must, I feel, continue to do all we can to eliminate the arms race, not because this in itself would insure peace, but because an arms race, in itself, so frequently constitutes a threat to peace. In spite of setbacks, I do not despair of establishing a program of disarmament and arms control in which the Soviets would participate and which would advance the cause of peace. I believe many of the same considerations which weigh upon us must weigh upon the Soviet Union as well, and I have met among the Soviet officials some whom I was fully convinced were both sincere and

eager to conclude effective agreements. I cannot say, particularly in the light of this summer's experience, that I am sanguine, but I am still hopeful that sooner or later results will be achieved.

What I do repeat is that this issue of war and peace, of which disarmament is only an aspect, is the greatest we face today for it is no less than the problem of survival. As such I suggest, to paraphrase Lloyd George's remarks about the generals in war, it is too important to leave entirely to the government.

The Russian Threat

I believe the problem must be attacked on very broad lines. We must not only give thought to disarmament and arms control plans including a better means of settling our international disputes, we must also give serious thought to new political forms to meet some of the newer challenges which the last part of the Twentieth Century have thrown at our feet. We all realize we are now going through a profound scientific revolution, one of the most far-reaching in history. We have found ourselves stimulated or compelled to adopt many new radical approaches to all of our problems. The emphasis on research, on scientific application, on new mathematical and art forms, on the speed of communication—all make us realize that our horizons have been extended to a degree comparable to the great reaches of the Renaissance. We see it on all sides in business—in the new methods, the new services, the new equipment—and I suggest we must also examine new economic and political forms in order to keep pace with the new demands.

A part of this great phenomenon of our times is that we are faced with a vast new expression of force and thought arising out of the emergence, at long last, of the great continent of Russia into the place that Tocqueville so long ago prophecized it would occupy. This movement, held back by oppressive and inept governments over centuries, with a political and social concept borne of revolution, has burst forth in coincidence with the new demands of large areas of the world for improved living conditions. A dictatorship more powerful than any heretofore established has extended its influence over China and large portions of Southeast Asia and is threatening India, Africa and South America. Though its efforts to seize Europe failed, the intent to dominate is still there.

All this transcends national boundaries, and it challenges all those nations and peoples who, after long periods of development and reform, have arrived at a representative form of government and a good standard of living based on the free choice of the people and the free expression of their views. It is an old struggle in a new form, but it is complicated as never before by the existence of these mass destruction weapons which, if let loose, would substantially destroy the values which have so painfully been built up.

Challenge to Free World

It is clear that at this juncture of history the Free World cannot remain static and hope to offset the forces which now challenge it. The Free World cannot fail to take the steps which would enable it to present its strength and determination clearly and forcibly in the path of those who would subvert or destroy it. Perhaps more important than merely meeting an exterior challenge, it is incumbent upon the Free World as a matter of its own duty to itself to reach and express its full potential. It is a reflection upon its own capacity that its own vision limits its strength at a time when so many demands exist throughout the world on its leadership and the contributions which it can make to less favored nations and peoples.

With the speed of communication which exists today, when one can be in London and San Francisco on the same day, we should begin to recognize that our national boundaries cannot long continue to serve as barriers to common policy.

For far too long a period, Europe has been emphasizing its weaknesses. The time has clearly come to emphasize its strength. Something over 200,000,000 people—industrious, skillful, cultured, experienced—with a splendid system of communication, striking juxta-position of coal and iron, a steel capacity greater than that of the Soviet Union and China combined, a depository of what may still be the finest managerial and technical skills that exist—all these things suggest its strength and its power. Already some radical steps have been taken to integrate this strength along economic lines and the results have been close to spectacular. They lie not alone in the economic sphere for the rapproachment between France and Germany has already given an indication of what might be accomplished along political lines. Great Britain is now examining the prospect of joining the Common Market and what its implications are, with the real likelihood that the formula will be found to enable this impressive integration with the European Community to take place. If this composite of Great Britain and Europe could in due course be joined with the resources and strength of the United States and the Americas on the basis of a common economic interest and a solid political purpose, I suggest many of our present problems would fall into place.

The Sino-Soviet mass, in the face of such a combination of strength and ideology, would immediately be reduced to a more reasonable perspective. The accumulation of capital, skills and markets, whether for raw materials or finished products, which such a community of interest would represent, would so far outdistance any similar accumulations in the Communist world, that the approach to the problem of the under-developed world from the Free World would be made immeasurably more effective.

The issue of war and peace would stand in a much easier way of solution. No matter how great the ambitions or how sizeable the forces of any group with a bent for world domination, it could not seriously contemplate an attack on such a combination of strength. The prospects for a true era of co-existence would be greatly advanced. The knotty problem of the United States balance of pay-

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ments could be adjusted, just as the balance of payments of the individual European nations have so largely been adjusted by the economic integration of Europe.

Many will see in this a very large order, but the exigencies we face are also of a large order. The Communist world is in the process of marshalling vastly divergent peoples and nations to the acceptance of their strength and their ideology. At the same time it is doing its level best to keep the Free World divided, off balance and frustrated. Even if there were no Communist threat, there would, as I have suggested, be good reason to give thought to this objective, but the Communist moves should greatly stimulate our own thinking in this direction.

Not Advocating Super State

I am not advocating a new super state, but I do insist we must seek new and better forms wherein our common economic and political interests can be weighed, determined and acted upon. We already have something in the nature of an expression of our common military strength in NATO, although this is far from being at its full potential. We may have to set up some political institutions in which these great problems which for a long time have been fully identified, can be dealt with and a common policy worked out in regard to them. I believe we have been deflected by too concentrated attention on the moods and attitudes of those whose directions are still uncertain or unformed, and we have not given enough attention to the preservation of the strength and purposes of those who are already committed to the principles of individual freedom and initiative. Our economic position demands it, because before long we shall be challenged seriously in the economic field by the productive capacity of the Soviet Union and its satellites. Our political position demands it for as these recurrent crises occur it is obvious that we must have a better means of uniting our policy and expressing it promptly than has been the case thus far. Of all periods in our history when isolation or provincialism, or for that matter, nationalism, has been proven inadequate as it is now, it is almost incongruous to hear that a tendency in this direction is gaining momentum throughout certain sections of the country.

Now I have covered a rather wide front and perhaps rambled a bit. I started out by referring to our balance of payments problem, trying to emphasize its relationship to our general position in the world, and even to the matter of our security and the problem of peace and war. I have urged the interest of investment bankers as dealers in values, as well as responsible citizens, in the consideration of these problems. We have moved rather far away from the market place wherein most of us have to make a living, but the market place is traditionally a well informed, knowledgeable and tolerant part of the community. If those in the market place do not look up and view the outside world from time to time, who else will be disposed to do it? I have always been intrigued by the comment Thomas Carlyle made when he was informed that the famous lady philosopher and critic of his and her day, Margaret Fuller, had finally decided to accept the universe. "By gad, she'd better," said Carlyle, and I think you investment bankers get the point!

***An address by Mr. McCloy before the 50th Annual Convention of the Investment Bankers Association of America, Hollywood Beach, Fla., Nov. 29, 1961.**

Report of IBA Industrial Securities Committee

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mestic and municipal purposes is not consumed so as to be subsequently unavailable. Much of this water can be reused, and it is evident that far more can be done in this direction. Important areas of reuse are industrial waste waters and sewage. Approximately one-half of all the water used by industry is required for process cooling water and boiler feed. Only 2% of all the water used by industry is actually consumed, with the remainder returned as waste to natural sources.

There are a number of ways in which industry can conserve the water it uses. These are (1) conservation of fresh water by substitution of sources (2) reduction in water use and waste of waters (3) recycling (4) multiple reuse and (5) reconditioning of water and wastes.

Reuse

Conversion by substitution of source can be employed by use of saline or brackish water for cooling processes wherever feasible. This is presently done to a large degree by industries manufacturing petroleum and coal products in California, Massachusetts and New Jersey; petroleum and primary metals in Maryland and chemicals and allied products in Texas. Planned reuse of sewage effluents is another approach to conservation of fresh water. A good example of how this is done is the experience of Bethlehem Steel Company. Its Sparrows Point, Maryland plant requires a total of some 600 million gallons daily of cooling water. Most of this water is pumped from Chesapeake Bay but because of its salinity this water is unsuitable for many applications. For this purpose the company has since 1942 used the sewage effluent produced at the Back River, Baltimore treatment plant whose output is transported to the steel plant. Daily use of this effluent has risen to 125 million gallons.

* * *

Many industries have employed the procedure of reuse of plant waste water to a substantial degree. The following table indicates the percentage of water reuse by various industries.

Industry:	Percent
Petroleum	98
Paper and pulp	52
Chemicals and drugs	35
Autos and aircraft	25
Iron and steel	25
Stone and glass	25
Lumber and furniture	23
Miscellaneous	22
Foods, beverages	22
Optical and medical	21
Plastics	19
Toys and sport goods	19
Nonferrous metals	18
Machinery and tools	15
Apparel and textiles	14
Leather	12

* * *

Office of Saline Water

After the war the apparent acute shortage of water in arid areas of the nation and elsewhere and excessive use of underground water throughout the country led President Harry S. Truman in March, 1950 to request the Secretary of the Interior and the heads of several other Federal departments and agencies to secure information and legislation on the large scale conversion of salt water. This resulted in Congress passing the Saline Water Act of 1952. The Act established the Office of Saline Water under the Department of the Interior and authorized the appropriation of $2 million for a five year research program. The objective of this program was to develop economically feasible processes for converting sea water and other saline water to fresh water of a quality suitable for agricultural, industrial, municipal and other beneficial uses.

In 1955 Congress amended the 1952 Act by increasing the total authorization from $2 million to $10 million providing for the research, development and construction costs of pilot plants and extending the life of the program through fiscal year 1963 with an additional three years to complete contracts and compile results of the studies.

Demonstration Plants

In 1958 Congress enacted another law providing a second $10 million authorization for the construction and operation of at least five saline water conversion demonstration plants to test and demonstrate the reliability of engineering, operating and economic potentials of sea or brackish water conversion processes. This law stipulated that at least three of the plants be designed for the conversion of sea water and that each of two plants so designed have a capacity of not less than 1 million gallons per day. Two of the plants were to be designed for the treatment of brackish water and at least one of these plants was to have a capacity of not less than 250,000 gallons per day. One of the sea water plants was to be located on the East Coast, one on the West Coast and one on the Gulf Coast. One of the brackish water plants was to be located in the Northern Great Plains and the other in the arid areas of the Southwest.

A great deal of interest has been evoked in the saline water program and the demonstration plants. Over 200 communities applied for location of one of the demonstration plants, supporting the prediction of the Office of Saline Water that within the next decade more than 1,000 cities will be forced to convert saline or brackish water for drinking purposes. The final location of these facilities and the methods of conversion to be used have been determined, and the first demonstration plant has been in operation since June, 1961. A description of these plants follows.

Freeport, Texas was dedicated in June, 1961. This is a 1 million gallons per day capacity plant for sea water conversion employing the long tube vertical multiple effect distillation process. In this process sea water is pumped into a series of vertical evaporators which contain a nest of long tubes. The sea water is boiled inside these tubes. Brine is separated from the steam produced by boiling. This steam is then condensed as fresh water. This plant was constructed by Chicago Bridge and Iron Company with the engineering work handled by W. L. Badger & Associates of Ann Arbor, Michigan. It will sell water to the city of Freeport and Dow Chemical which is also interested in the residue effluent of concentrated brine. It is noteworthy that the Freeport plant was damaged only to a relatively minor degree by Hurricane Carla and was back in operation after a week. Meanwhile the fresh water in its storage tanks was made available to stricken residents.

Point Loma, San Diego, California is scheduled for completion this November. This is a 1 million gallons per day capacity plant for sea water conversion employing the multi-stage flash distillation process. In this process a superheated brine solution is piped into vacuum chambers where the lower pressure causes it to flash (boil suddenly) and release steam. The steam then rises to contact coils at the top of the chamber, condenses and drips as fresh water into collecting troughs below. This plant is being built by Westinghouse Electric Corp. Flour Corp. is doing the engineering.

Webster, South Dakota is scheduled for completion in November also. This is a 250,000 gallons per day capacity plant for brackish water conversion by electrodialysis. In this method the water is subjected to an electrical field which attracts or repels the electrically charged mineral particles (ions). Selective plastic membranes block the ions before they can reach the electrodes and trap them in a waste brine compartment while desalted water flows through to another compartment. This plant is being built by Asahi Chemical Industry Company of Japan. Engineering is being accomplished by the Austin Company of Cleveland, Ohio and Detroit, Michigan.

Roswell, New Mexico is getting underway. This will be a one million - gallons - per - day - capacity plant for brackish water conversion using the forced circulation vapor compression process. This calls for water to be pumped into a heat exchanger in an evaporator chamber where it is boiled. The resulting steam is further heated in a compressor so that it can be reused as the evaporator heating medium before being drawn off as fresh water. Construction contracts have not yet been let. Engineers are Catalytic Construction Co.,

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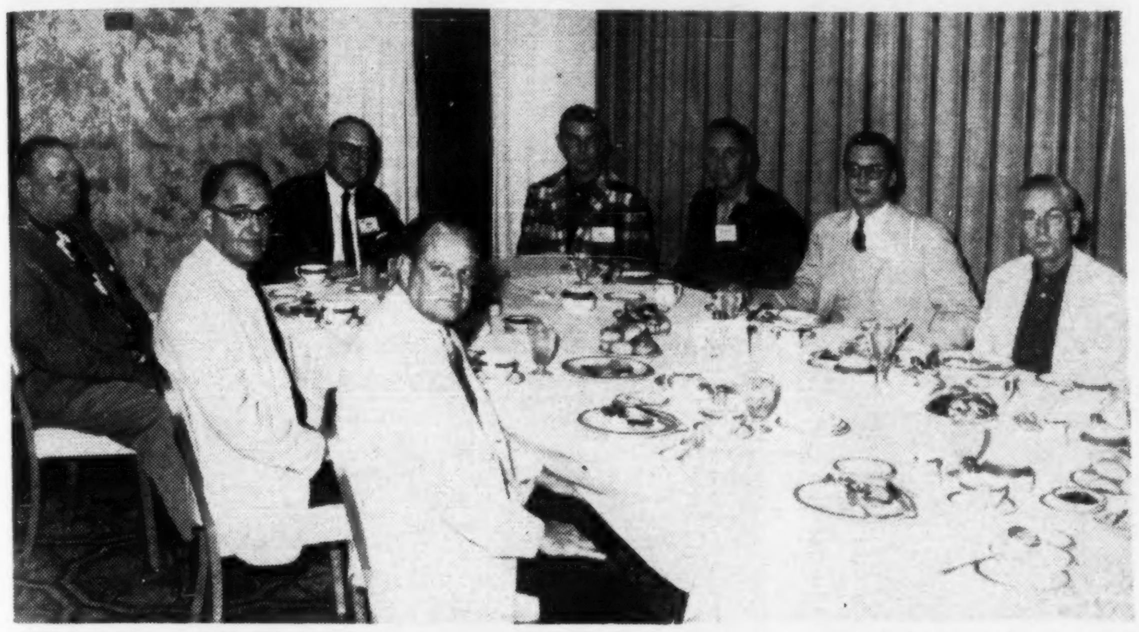

Industrial Securities Committee (Breakfast Meeting)—J. Victor Loewi, *Loewi & Co., Incorporated*, Milwaukee, Chairman

Mr. & Mrs. John M. Heimerdinger, *Walter, Woody & Heimerdinger*, Cincinnati; Mr. & Mrs. Richard E. Watson, *Zikla, Smither & Co., Inc.*, Portland, Oreg.

Mr. & Mrs. Chester Harris, *Henry Harris & Son*, New York; Mr. & Mrs. Max Pollock, *Wm. E. Pollock & Co.*, New York

Logan V. Pratt, *R. S. Dickson & Co., Inc.*, Charlotte, N. C.; Mr. & Mrs. Glenn R. Miller, *Cruttenden, Podesta & Co.*, Chicago; Marshall H. Johnson, *McDaniel Lewis & Co.*, Greensboro, N. C.

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Philadelphia, Pa., a subsidiary of Houdry Process Corp.

Wrightsville Beach, North Carolina will be a 250,000-gallons-per-day-capacity plant for sea water conversion by the freezing process. In this approach sea water is turned into a slurry of ice crystals and brine either by cooling with flash evaporation in a high vacuum chamber or by evaporating a hydrocarbon solvent in contact with the sea water. The ice crystals are then removed mechanically and melted into fresh water. Engineering for this plant will be done by The Lummus Co., New York, N. Y. Construction contracts have not been let as yet, but Carrier Corp. and Blaw-Knox Co. are considered likely candidates.

Other communities needing additional water facilities which ranked high on the list of applicants for a demonstration plant were: Brownsville-Port Isabel, Texas; Tampa Bay area, Florida (Bradenton); Key West, Florida; Elizabeth City, North Carolina; Virginia Beach, Virginia; Atlantic City, New Jersey; Suffolk County, New York (Long Island); Wichita Falls, Texas; Alamogordo, New Mexico and Oklahoma City, Oklahoma.

Research and Development

The Office of Saline Water has been very interested in research and development work in the field of saline or brackish water conversion, although its efforts to date have been primarily confined to engineering development. It hopes to devote more emphasis to basic research in contrast to applied research. Low cost saline water conversion is a challenge which has not been satisfactorily solved to date. New ideas and new processes are needed and can be achieved only through fundamental research. Existing processes can be improved upon, but are probably not the best that can be developed.

The big problem in this area is not to convert the water to fresh, but how to do it at low cost. This presents many chemical and mechanical problems of considerable magnitude. The end result of many natural phenomena are known, but how they occur is not. It is known, for example, that salt dissolves in water and that the process requires very little energy. If it was also known how this was accomplished, it might be possible to reverse the process to remove dissolved solids. Most scientists and engineers agree that the most effective and economical means of saline water conversion remains to be discovered and that the foundation of an effective program is continuous, fundamental research. This may permit attainment of a major break-through.

* * *

Budgeted expenditures of the Office of Saline Water for research and development have been about one-quarter for basic research and three-quarters applied research. Thus far under the 1952 and 1955 laws, $9.3 million has been spent for this purpose. Under the 1958 law providing for demonstration plants, appropriations totaling $8.6 million through fiscal year 1962 have been received.

A part of the spending for re-

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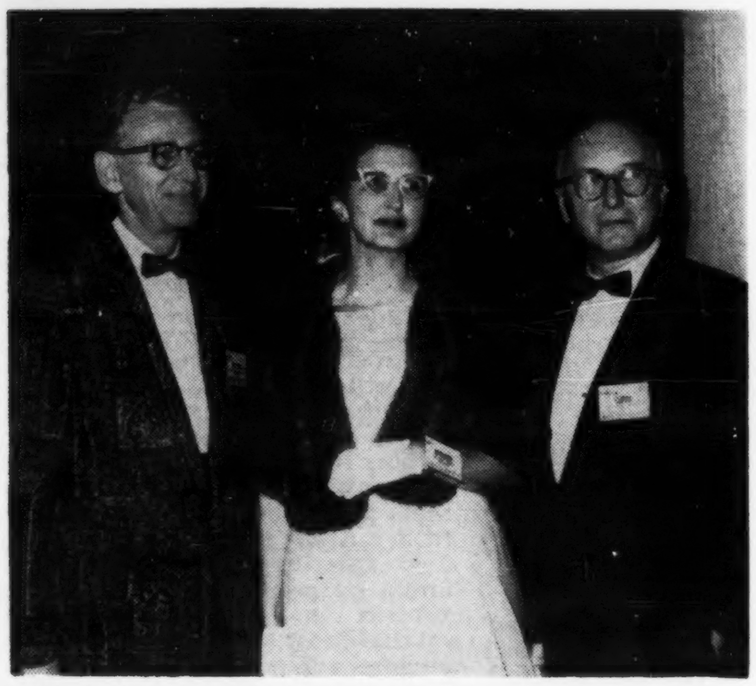
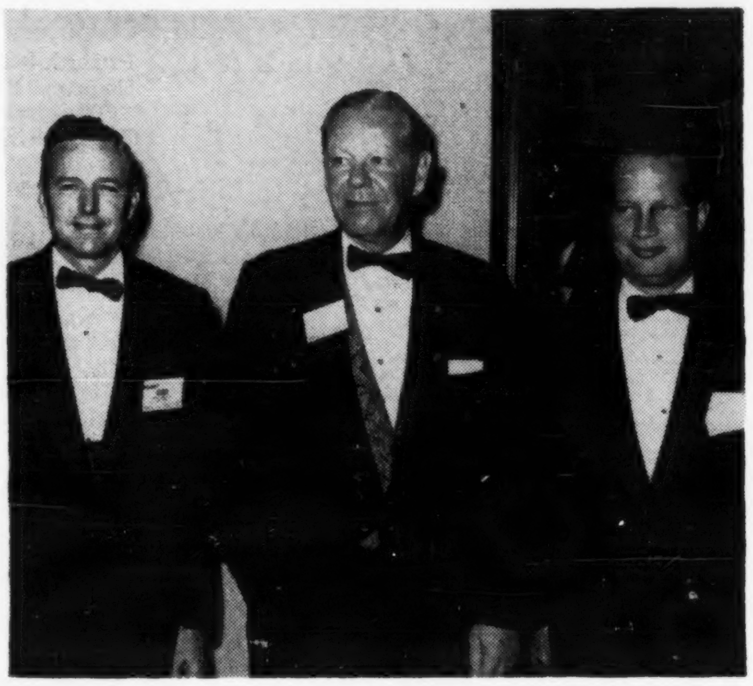


Mr. & Mrs. Frank L. Reissner, *Indianapolis Bond & Share Corporation*, Indianapolis; Charles A. Capek, *Lee Higginson Corporation*, Chicago



William F. Gliss, *John C. Legg & Company*, New York; Joseph W. Sener, *John C. Legg & Company*, Baltimore; Philip O. Rogers *John C. Legg & Company*, Baltimore

George T. Flynn, *Hornblower & Weeks*, New York; Willard G. De Groot, *Bateman, Eichler & Co.*, Los Angeles; Robert A. Podesta, *Cruttenden, Podesta & Co.*, Chicago

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search and development has been for pilot plants. A pilot plant is a small research facility designed to test and develop new or improved saline water conversion processes. A demonstration plant on the other hand is designed as a production unit, with much larger capacity than a pilot plant, to provide data on engineering, operating and economical potential of a conversion process. A number of pilot plants are in operation and more are planned. Two distillation research facilities are operating at Harbor Island, Wrightsville Beach, North Carolina and one at the Battelle Memorial Institute, Columbus, Ohio. Four electrodialysis units are under test at the Bureau of Reclamation Laboratories, Denver, Colorado. A 15,000 gallons per day freezing process pilot plant was developed by the Carrier Corporation and is in operation at Wrigntsville Beach, North Carolina. It utilizes a direct freeze-evaporation process. Three solar distillation plants are under development at Daytona Beach, Florida. A 35,000-gallons-per-day pilot plant is located at St. Petersburg, Florida. This was developed by Blaw-Knox Company and utilizes an iso-butane direct contact freeze process.

Extension of Work of Office of Saline Water

In view of the importance of and interest in this program and the fact that original appropriations and time limits are running out, Congress has taken up the matter of extending this work. Hearings were held by Congressional Committees this spring and summer with the result that the House of Representatives passed a bill authorizing an additional \$50 million for the saline water conversion program and extended its time for an additional five years beyond 1963. Shortly thereafter the Senate approved legislation to spend \$100 million over a ten year span. The final compromise was \$75 million for a six year period (fiscal 1962 through fiscal 1967). This bill (H. R. 7916) has been passed and become law. It is apparent, therefore, that a vast stepup of governmental activities in this field will take place over the coming years.

The future program will emphasize broad basic, fundamental research to supply new ideas and data to develop the best and most economical processes and methods for converting saline water into water suitable for beneficial consumptive purposes. Low cost desalination is the ultimate objective. Methods of recovering and marketing commercially valuable byproducts resulting from saline water conversion will also be studied.

Cost Factors in Saline Water Conversion

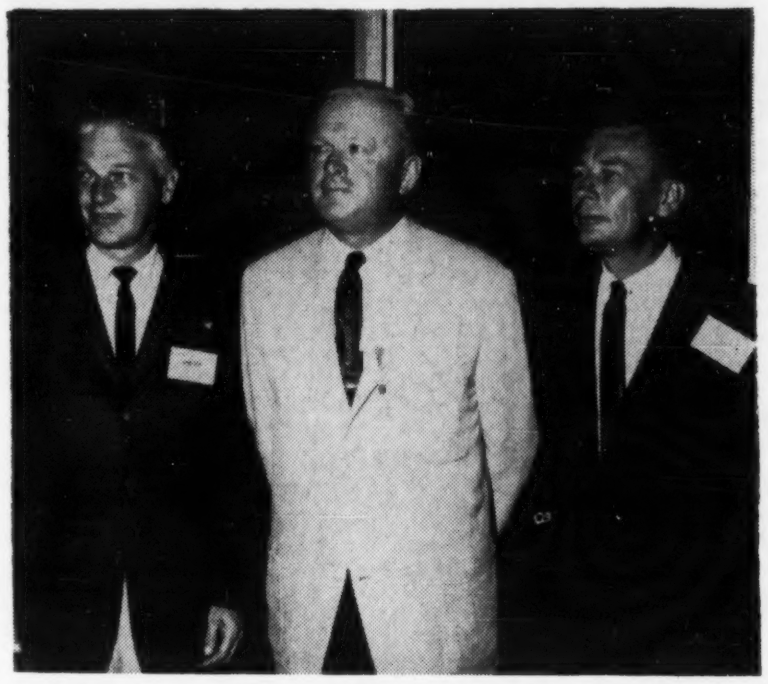
In its work thus far, the Office of Saline Water has accomplished many satisfactory results. One of these has been to reduce the cost of producing fresh water through conversion of saline water. During the period in which existing legislation has been operative the cost of converting water has been reduced from \$5 to \$1 per 1,000 gallons. Much credit for this result must go to private companies that have been active in this field for some time, but the Office of Saline Water has pushed forward the work and directed efforts to develop processes and plants which have been of great help in reducing costs. It is expected that demonstration plants now operating or scheduled to operate will be a factor in further cost reductions. It must be recognized, however, that achievements have been largely engineering, and from this point on, it will become increasingly difficult to lower conversion costs any further with existing processes. Some benefits will derive from larger plant size, of course. It is possible to extrapolate a specific plant into one of greater capacity and envision cost savings up to optimum maximum.

In determining the cost factor, the capital costs of the converting plant are included on a basis of 20 year amortization and an interest rate of 4%. The desired objective is to provide water at a price of 40¢ or less per 1,000 gallons to make it economically attractive for industry and municipal uses in the more critical areas. However, in determining what is a competitive price, it must be understood that there are wide variations in water rates throughout the country. A number of additional factors should be taken into consideration also. For one thing, the figure of natural water cost may not actually be as cheap as the consumer is led to believe. In a town using highly mineralized water where the monthly water bill may be \$4-\$5, the following additional water expenses might be commonplace: (1) purchase of bottled drinking water \$3-\$6 per month; (2) home softening \$3-\$10 per month; (3) excess corrosion due to the highly mineralized nature of the water \$4-\$6 per month; (4) excessive consumption of soaps and detergents \$4-\$5 per month. Thus the actual cost in such a town is likely to be far higher than the water bill. All of these extra expenses would be avoided with distilled water. In suburban areas some people have their own wells and facilities. In this case expenses include amortization of the original cost, interest, maintenance, power and salt for regeneration and softener. When you add these all together, it is likely to be found that costs per 1,000 gallons used may well exceed \$1.

* * *

It should also be remembered that many areas of the country are actually paying far higher water bills than the 40¢ per 1,000 gallons figure. These are arid places or those that have some special problem in obtaining adequate supplies of fresh water. For example, the city of Coalinga, California was forced to haul fresh water in by tank cars when its own supply became too salty. Its costs for this water was \$9.35 per 1,000 gallons. About two years ago Ionics, Inc. constructed an electrodialysis plant here by which the city is now getting its domestic water supply at about \$1.45 per

Henry R. Kieper, *New York Hanseatic Corporation*, New York; Mr. & Mrs. Kurt H. Grunebaum, *New York Hanseatic Corporation*, New York



A. Peter Knoop, *Auchincloss, Parker & Redpath*, New York; Paul L. Mullaney, *Mullaney, Wells & Co.*, Chicago; Chuck Miller, *Mullaney, Wells & Co.*, Chicago

John McG. Dalenz, *Calvin Bullock, Ltd.*, New York; Sidney S. Blake, *Janney, Battles & E. W. Clark, Inc.*, Philadelphia; Robert E. Clark, *Calvin Bullock, Ltd.*, New York

1,000 gallons. For this location such a price is cheap.

In a recent talk by the president of Ohio Water Service Company reference was made to a report of the Ohio Division of Water stating that water has too long basked under the halo of being regarded as a cheap utility. A more realistic appraisal suggests that water is going to cost more money or there will be growing problems of so-called water shortages. Ohio is a state enjoying ample water resources. The president pointed out that the water supplier is not selling water but water service. With an expanding population and usage of water and attendant water service problems, this service has become more costly and requires higher water rates. Without them either subsidization is necessary or the water service will become inadequate.

A private water consultant has estimated that at conversion costs of $1.00 per thousand gallons, some 11,000 communities in the next 15 years will find it cheaper to convert saline water than to pipe in fresh or otherwise boost supply.

Water for irrigation is generally available at far lower prices perhaps in the area of 12¢ or less per 1,000 gallons. Agricultural water is measured in terms of acre-feet. There are 326,000 gallons in one acre-foot. It does not now appear that any presently used conversion processes will be able to provide water for irrigation at less than $100 per acre-foot. This compares with the highest price now being paid in the United States of $25 per acre-foot for special crop purposes. Normal prices run from $1.50 to $4.00 per acre-foot. Thus at this point conversion water for agriculture does not appear economically feasible in this country.

Contracts Let By Office of Saline Water

Perhaps the most important contribution of the Office of Saline Water thus far has been to stimulate the interest of industry in developing low cost saline water conversion processes. Through funds at its disposal it has let contracts to a large number of private corporations as well as research organizations for work in various phases of this field and for the construction of demonstration plants. In addition it has participated in technical meetings and activities of the American Chemical Society, American Institute of Chemical Engineers and American Water Works Association.

* * *

Principal Conversion Processes

The Office of Saline Water has been responsible during its existence for a number of improvements in existing processes for saline water conversion and has explored new ones. There are at present four principal processes for conversion of saline or brackish water. These are distillation by boiling, solar distillation, membrane and ion exchange and freezing. Much more research and development work is needed. Different processes have been and will be developed having advantages for particular applications. Some processes are best for sea water conversion, others for treating brackish waters. Some are especially adaptable for use in household type units or other small installations, others are most economically feasible in multi-million gallons per day capacity plants. Additional factors determining suitability are associated with location, such as fuel costs, weather conditions, waste disposal conditions and product purity required.

* * *

Principal Commercial Installations

There are a number of saline water conversion units now in commercial operation in this country and other parts of the world in addition to those already mentioned. Most of them employ the distillation process. Among these are the following:*

Location and Manufacturer:

Aruba (Caribbean)
G. & J. Weir
Kuwait (Persian Gulf)
Westinghouse
Kuwait (Persian Gulf)
Weir & Westinghouse
Nassau, Bahamas
G. & J. Weir
Curacao (Caribbean)
G. & J. Weir
Isle of Guernsey
G. & J. Weir
Las Piedras, Venezuela
Griscom-Russell
Kuwait (Persian Gulf)
Richardson, Westgarth
Marcus Hook, Pa.
Westinghouse
Mirafiori, Italy
Escher-Wyss
Virgin Islands (U. S. Govt.)
Aqua-Chem
Kindley Air Force Base (Bermuda)
Aqua-Chem
Aircraft Carriers (U. S.) (each)
All manufacturers
Gibraltar
Aqua-Chem
Dharan Air Force Base (Arabia)
Aqua-Chem
Pacific Gas & Electric (Morro Bay, Calif.)
Lummus Company
Buenos Aires, Argentina
Escher-Wyss
Thule Air Force Base (Greenland)
Mechanical Equipment
Govt. of Ecuador (Salinas)
Aqua-Chem
Arrowhead & Puritas Co. (Los Angeles, Calif.)
Aqua-Chem
Southern California Edison (Oxnard, Calif.)
Aqua-Chem
Bermuda (Hotel Service)
Griscom-Russell
Destroyers (each)
All manufacturers

Other distillation units are in use on atomic submarines and surface ships run with heat provided by the atomic reactors, and on ocean-going vessels of many types, with the heat source being supplied by turbine bleed steam.

Aqua-Chem, Inc. has been especially active in navy and commercial ship installations. Over the past twenty years this company has designed and manufactured over 4,000 distillation units with a total fresh water capacity of 16,000,000 gallons daily.

*Table also includes total installed capacity and type of system.—Ed.

Arid Regions of the World

Besides our own country, throughout the rest of the world there are many regions that can be classified as arid or that are plagued by a chronic inadequacy of fresh water. These include the

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Southern coast of Israel, the North coast of Australia, the West coast of South America especially Chile, Kuwait, Pakistan, Cyprus, Aruba, the Virgin Islands and Hong Kong. Other large areas have nothing better than brackish water supplies. These embrace the whole belt across Central Asia, the Middle East, parts of India, Pakistan, Iran, South America and Australia, North Africa, West Africa, South Africa, Mexico and the Caribbean Islands.

Global Importance of Conversion

Most interest in the water situation is in our own country, of course, but in today's world foreign affairs and policies are of vital importance. The immense proportion of the subject of saline or brackish water is perhaps brought into better perspective by recognizing the fact that it concerns 90% of the earth's surface. Nearly three-quarters of the globe is covered with salt water, and of the remaining quarter some 60% is dry land. Most of the countries whose territory encompasses this dry land can be expected to experience increasingly disturbing social problems to which a rising need for greater supplies of fresh water for agricultural and many other needs will contribute. Few of them are in a position to help solve their own difficulties. Here then is an area of foreign aid in which our assistance would be invaluable and at the same time highly beneficial to us.

In a statement by the Managing Director of the United Nations Special Fund regarding the International importance of saline water conversion, the following comments were made:

"The growth in the absolute and per capita demand for fresh water is not alone a U. S. problem; it is also an international problem of challenging proportion. Indeed, grave as forecasts are concerning the adequacy of present and future supplies of fresh water in the United States, when compared to the quantity of water available on a per capita basis in most other countries of the world, the United States is one of the water-richer countries. At least 60 of the 100 underdeveloped countries and territories associated with the United Nations face forms of water shortage which in time can only be met from non-traditional sources; that is, from brackish and salt water sources.

"For this reason, saline water conversion projects of the United States are of great interest to the United Nations. It is no exaggeration to say that what the United States may accomplish in solving this problem, whose significance is growing in America, could have tremendous impact in other parts of the world—in Africa, the Middle East, Asia, and Latin America. In many countries in these areas the pace of economic development is strongly influenced, if not controlled, by the development of techniques to obtain large quantities of essential water at a reasonable cost. Some of the countries are already experiencing rationing and price control of water; and in certain of the arid and semi-arid areas the key to political stability and progress is tied to their obtaining substantial amounts of drinking water, and water for livestock and agri-

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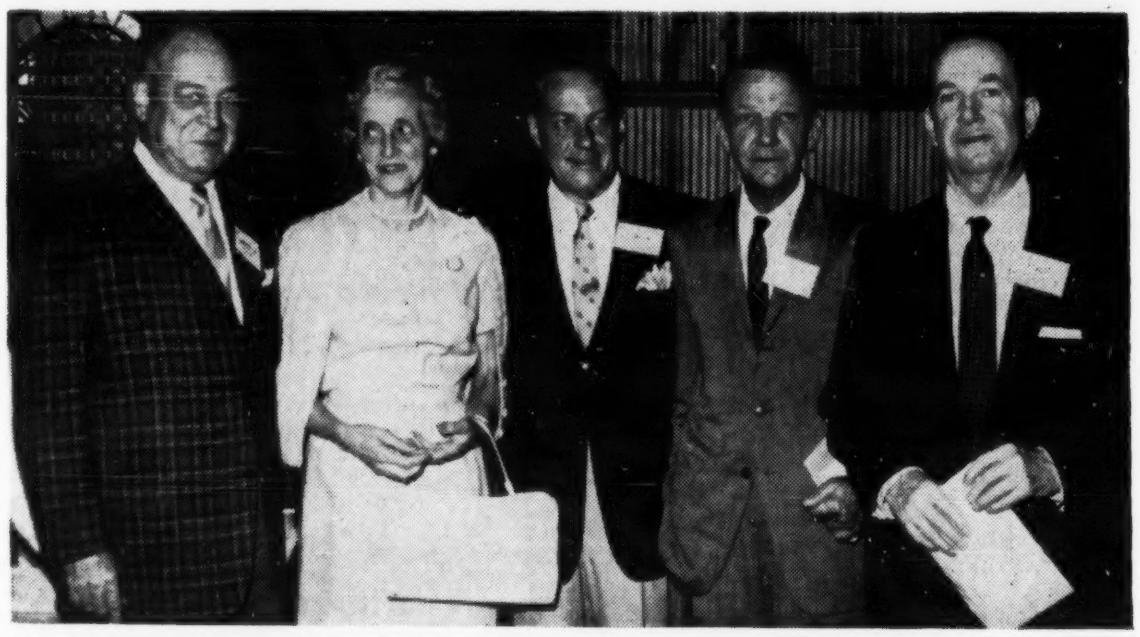
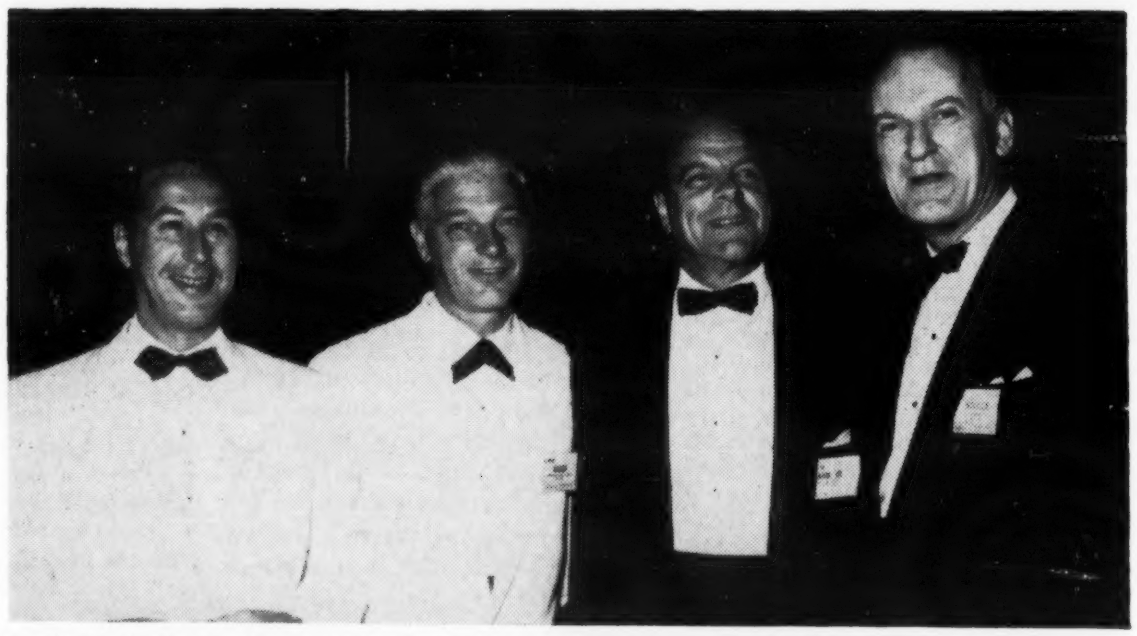
Mr. & Mrs. Lockett Shelton, *Republic National Bank*, Dallas; Mr. & Mrs. Alan K. Browne, *Bank of America, N. T. & S. A.*, San Francisco



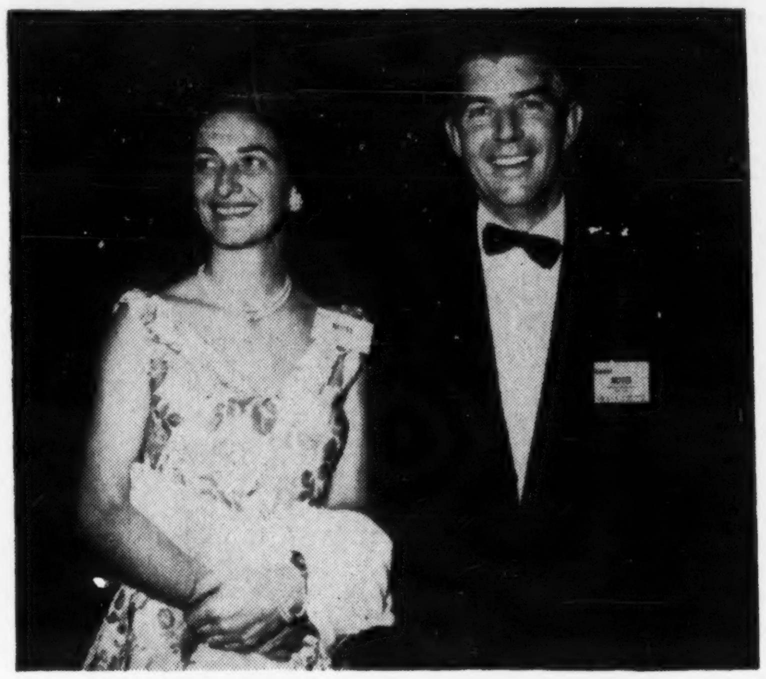
Mr. & Mrs. J. B. Sanford, Jr., *Hattier & Sanford*, New Orleans; Fred D. Stone, Jr., *Marine Trust Company of Western New York*, New York City; Rucker Agee, *Stern, Agee & Leach*, Birmingham; Charles E. Cady, *Cady & Co.*, Columbus, Miss.



Lewis M. Krohn, *Ira Haupt & Co.*, New York; A. Peter Knoop, *Auchincloss, Parker & Redpath*, New York; William M. Cahn, Jr., *Halle & Stieglitz*, New York; Carl Stolle, *G. A. Saxton & Co., Inc.*, New York

Edward K. Hardy, Jr., *Illinois Company of Chicago*, Chicago; Robert M. Clark, *Blunt Ellis & Simmons*, Chicago; Anthon H. Lund, *Amott, Baker & Co., Incorporated*, New York; William E. Fay, Jr., *Smith, Barney & Co.*, Chicago

Mr. & Mrs. Edward H. Austin, *E. H. Austin & Co.*, San Antonio



Mr. & Mrs. Blancke Noyes, *Hemphill, Noyes & Co.*

Mr. & Mrs. Robert M. Gardiner, *Reynolds & Co.*, New York

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culture required by their rapidly growing populations."

* * *

Privately Owned Water Companies

There are approximately 18,000 water plants in the United States of which over 70% are privately owned. It has been estimated that about 20% of these water systems have supplies that are inadequate for dry year demands. Most of the water companies have bacteriological laboratories engaged in a constant check on the water supply and in research to improve methods of treatment. As a result epidemics from use of tainted water which used to occur are now rare. In addition to filtering to eliminate foreign matter and bacteria, other forms of treatment of raw water are included, such as use of alum, lime and iron to aid sedimentation, chemicals, mainly chlorine, as disinfectants.

List of Leading Publicly Owned Companies Active in the Water Treatment Field

Research and Development

Aqua-Chem
Blaw-Knox
Carrier
Chance Vought (now Ling-Temco-Vought)
Curtiss-Wright
Dow Chemical
E. I. du Pont de Nemours
Ets-Hokin & Galvan
Electric Storage Battery
Fluor
FMC
General Electric
W. R. Grace
Griscom-Russell
Ionics
Koppers
Monsanto Chemical
Struthers Wells
Westinghouse Electric
Whiting

Saline Water Conversion Devices

American Machine & Foundry
Aqua-Chem
Bendix
Bethlehem Steel
Fairbanks Whitney
General Electric
Griscom-Russell
Ionics
North American Aviation
Westinghouse Electric

Water Conditioning & Treatment

Crane
Culligan
Fischer & Porter
General American Transportation
Hagan Chemicals & Controls
Nalco Chemical
Pfaudler Permutit
Union Tank Car
Wallace & Tiernan

Water Softeners

Culligan
Hagan Chemicals & Controls
Nalco Chemical
Pfaudler Permutit
Union Tank Car

Sewage and Waste Disposal

Dow Chemical
Dravo
B. F. Goodrich
Sterling Drug
Union Tank Car

Construction

Fluor

Allied Equipment

Allis-Chalmers
American Meter
Badger Meter
Chain Belt
Dorr-Oliver
Link-Belt
Rockwell Manufacturing
Worthington

Financing Saline Water Conversion Facilities

The problem of financing saline water conversion facilities contemplated by states, municipalities, agencies or other bodies or organizations is one that should be considered, particularly from the standpoint of the role the investment banker may be able to play. It has been mentioned previously that many applications were made for the saline water conversion demonstration plants authorized by the Office of Saline Water. It has also been indicated that more and more communities in this country, to say nothing of the rest of the world, are gradually feeling the pinch of inability to supply adequate amounts of fresh water in the face of a burgeoning demand imposed on diminishing or at best static supplies, often of a brackish quality. Faced with rising costs to satisfy demand, if it is possible to take care of needs at all, the prospect of using conversion plants with cost reductions rapidly enhancing economic feasibility is likely to become increasingly appealing to them.

The Congressional Bill extending the Saline Water Act and expanding appropriations contemplates extensive research and development work and construction of additional pilot plants. It also provides that construction and operation of demonstration plants or participation in their construction and operation must be authorized by separate legislation upon recommendation by the Secretary of the Interior to Congress.

Federal Government Financial Assistance

Originally the bill carried provisions for loaning money to municipalities and others for the construction of plants to be used as supplemental fresh water sources. These loans as well as grants were to be on very liberal terms and in amounts up to 90% of the total cost. The thinking behind this financial assistance was that even the most advanced of presently known saline water conversion processes must be considered as at least partially experimental. Therefore, any organizations finding it necessary to turn to converted water as a source of supply might have difficulty obtaining financing in the open market and would probably also have to pay high interest rates.

The final bill contains no provisions for loans or grants. Rather all funds are to be used for broad basic research with the objective of attaining low cost desalination. There will be, therefore, opportunity for banking institutions to arrange private or public financing. The Government's declared approach to this problem is not from the standpoint of trying to get into the utility business, but rather to stimulate, encourage provide consultation and direct the development of economically feasible saline water conversion processes and to, in effect, "get the ball rolling" in their practical, useful commercial application.

Federal financial assistance may be available through other agencies of the Government. The Community Facilities Administration makes loans to municipalities to finance public facilities if the financing is not otherwise available on reasonable terms. What constitutes reasonable terms is largely determined by the rate at which the Administrator can lend money which as recently reduced is as low as 3⅝%. These loans may be made to cities of any size for any type of public works except those already receiving federal aid. Whether they would be available for saline water conversion facilities remains to be seen.

Role of the Investment Banker

When it is demonstrated that economically competitive plants can be built, many organizations are likely to become interested in constructing and operating such facilities for their own use. This in turn will permit industry to profit from work in this field even aside from Federal contracts. Eventually the Government may be expected to gradually withdraw from the program turning it over to private corporations for further advancement of the work.

Investment bankers can assume an important position in arranging to raise necessary funds for plant construction and other applied uses of conversion processes. This is likely to become a ballooning development in the face of rising interest in conversion and attend-

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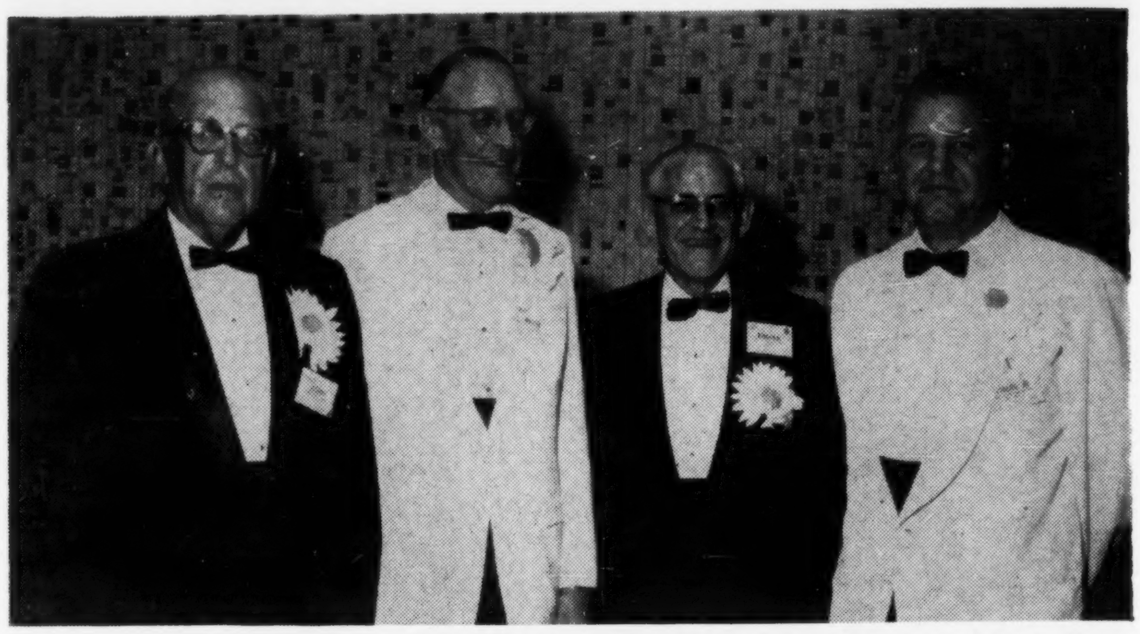
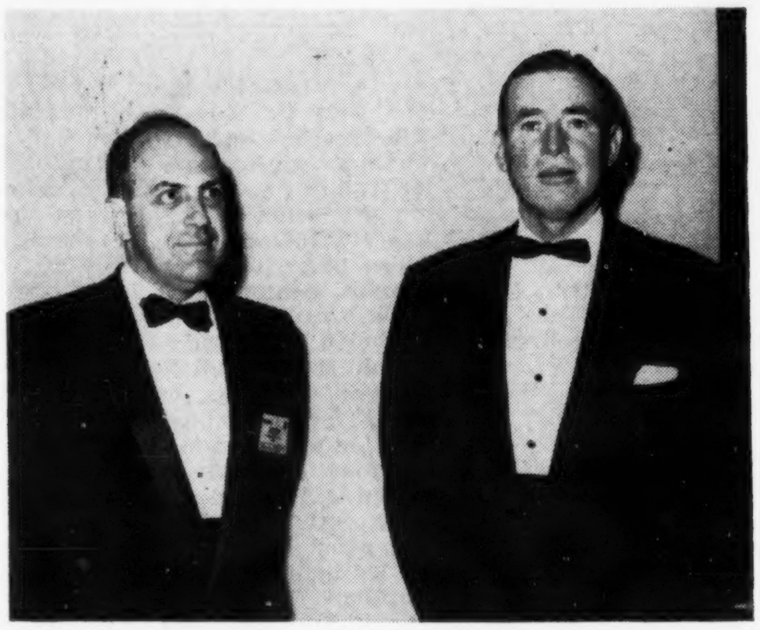
Mr. & Mrs. Josephus R. Corbus, *The Illinois Company*, Chicago; Donald T. Fletcher, *William Blair & Company*, Chicago; Edward K. Hardy, Jr., *Illinois Company*, Chicago; Mrs. Marsom B. Pratt; C. Pharr Duson, *Rotan, Mosle & Co.*, Houston; Marsom B. Pratt, *Estabrook & Co.*, Boston



Jim Daisy Initiates: Herman B. Joseph, *Joseph, Mellen & Miller, Inc.*, Cleveland; Robert Mason, *Merrill Lynch, Pierce, Fenner & Smith Incorporated*, Chicago; Curtis H. Bingham, *Bingham, Walter & Hurry, Inc.*, Los Angeles; Emil J. Pattberg, Jr., *First Boston Corporation*, New York

Alfred J. Bianchetti, *J. A. Hogle & Co.*, New York; Mr. & Mrs. Kenneth J. Howard, *J. A. Hogle & Co.*, New York



William L. Hurley, *Baker, Simonds & Co., Inc.*, Detroit; Francis J. Cunningham, *Kidder, Peabody & Co.*, New York

Logan V. Pratt, *R. S. Dickson & Co., Inc.*, Charlotte, N. C.; John M. Heimerdinger, *Walter, Woody & Heimerdinger*, Cincinnati

Mr. & Mrs. John H. Brooks, *Putnam & Co.*, Hartford; Forrester A. Clark, *H. C. Wainwright & Co.*, Boston; Louis Walker, *G. H. Walker & Co.*, Hartford

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Joseph Vostal, *Kidder, Peabody & Co.*, New York; Mr. & Mrs. Arnold J. Kocurek, *Rauscher, Pierce & Co., Inc.*, San Antonio; Mr. & Mrs. Richard N. Young, *Kidder, Peabody & Co.*, Philadelphia

Mr. & Mrs. Donald E. Barnes, *C. F. Childs & Co.*, New York; Mr. & Mrs. F. Newell Childs, *C. F. Childs & Co.*, Chicago

Continued from page 89

ant water problems and improving economies.

Investment Opportunities

Many attractive investments exist in companies now actively engaged in various phases of the water treatment industry. These include companies producing commercial applications of saline water conversion equipment, those heavily committed in research and development work in newer areas of conversion and refinements in existing processes, those involved in the diversified facets of water softening and purification for domestic and industrial usage and those providing important processes for sewage treatment and disposal and purifying of waste. There are also a large number of companies on the fringes of this field, manufacturing mechanical equipment, chemicals, appliances, doing construction work or researching or making studies in a limited area.

In general it would appear that the greatest investment rewards may come in the smaller companies and those whose business is largely confined to their water treatment activities. Provided their management is capable, growth characteristics of the industry are likely to benefit these concerns to a greater degree. For numerous large corporations operations having to do with water treatment or conversion presently constitute an insignificant part of the total corporate effort.

Inasmuch as the Governmental program calls for spending essentially only for research, companies strong in this area will be the prime beneficiaries over the next few years. Here again in the smaller concerns sizable research contracts will reflect markedly in sales and earnings. If in addition their commercial business rises, a sharp growth pattern may very well unfold.

There is always the possibility of some sort of scientific breakthrough developing from research investigations in conversion processes, which might invalidate existing methods. This is one of the risks involved in investments in companies committed to accepted processes. As they are all conducting their own research, it also offers substantial rewards.

The future burgeoning of this industry seems undeniable. It is likely to gain momentum rapidly. New vistas of development and emphasis may open up. In this environment many companies now participating in the field will surge forward. Some new ones may come to the fore. Selected investments in this area could well reward the investor handsomely for many years to come.

Respectfully submitted,

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Report of IBA Nuclear Industry Committee

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guaranteed by the Government; purchase by fuel fabricators, who would then, in turn, lease to reactor operators. The Atomic Industrial Forum, which represents most of the equipment manufacturers and utilities, is now studying the matter. Their recommendation will undoubtedly be along the lines of a sufficiently long transition period to minimize the economic impact of the changeover from leasing to ownership of nuclear fuels.

The Uranium Industry

Up to this point, we have placed the emphasis on the reactor itself. Uranium, of course, is the starting point of atomic energy. The mining and milling industry, which is entirely in private hands today, has performed beyond expectations. As you know, there was a rush some 10 years back for contracting foreign uranium before we realized how much we had in this country. After we had entered into contracts with South Africa and Canada, we soon began to find better and higher grades of ore in this country. Today, Canadian contracts have been extended until 1966 without increasing the total poundage originally due to be delivered in 1962. Therefore, Canadian production will taper off gradually and by 1963 or 1964 the supply sent to this country should not exceed 5,000 tons of uranium oxide per year. Under a revised contract with South Africa, effective Jan. 1 of this year, the United States will purchase 18,900 tons of uranium oxide between Jan. 1, 1961 and Dec. 31, 1966. The main difference from the previous arrangement is that purchases of South African uranium will be transacted by the United States and Britain under separate contracts, rather than jointly as was the case previously through the Combined Development Agency.

In our country, the present production level of 17 to 18,000 tons will be maintained until the end of 1966. The former Belgian Congo is no longer a supplier, nor were deliveries important before independence was granted to the Congo. Our total supply thus calls for average deliveries of approximately 30,000 tons of uranium oxide each year until the end of 1966.

In a projection of the future consumption of uranium, our forecast must necessarily take into account the time when atomic energy will begin to be competitive. We indicated in our report for 1959 that about 1,500 tons of uranium oxide are required to yield the inventory for each million kilowatts of electrical generating capacity. If, in addition, we want to earmark the burn-up or consumption of uranium over a 20-year period (which is what we have done with Euratom when we guaranteed their supply for the next 20 years), we will have to commit an extra 3,000 to 3,500 tons of uranium oxide per million kilowatts.

Therefore, by adding the fuel consumption of one million kilowatts of nuclear power for 20 years to the initial inventory, we reach an amount of about 5,000 tons of uranium oxide. Even if we earmark or commit future consumption for 20 years, it would take 6 million kilowatts of new nuclear capacity each year to absorb our yearly supply of uranium oxide. Even if atomic reactors begin to be competitive in some areas of the United States by 1965, it will probably be 1975 before anything like 5 to 6 million kilowatts of nuclear electrical capacity is added each year. It is entirely a matter of economics.

Today, we are adding about 11 million kilowatts capacity to our electrical utility systems in this country annually. This amount of power is matched by an almost equal amount for the rest of the Free World. That makes a total of 20 million kilowatts of new capacity each year. In another 10 years, this amount in the Free World will certainly have grown to 30 million kilowatts of new capacity each year. At that time, a fraction of at least 10% of that additional capacity will be nuclear and the percentage may grow to 25% after a few years. Some time between 1970 and 1980, we will have to think of expanding our milling capacity.

Let us again emphasize that if there has been no stockpiling of uranium so far, it is because most of it has gone into weapons. Military demand will undoubtedly taper off well before the present uranium contracts expire. There is no point in building atomic weapons for all time to come. The planet can only be erased once. We should also dispel the common belief that the conversion of our Navy to nuclear power will take care of uranium surpluses in the next few years. Quite a number of submarines and other warships can be built before even the equivalent of 1,500 tons of uranium oxide is used.

The only thing that will definitely absorb our future uranium production is the peacetime use of atomic energy in the production of electricity. Other future applications such as reactors for

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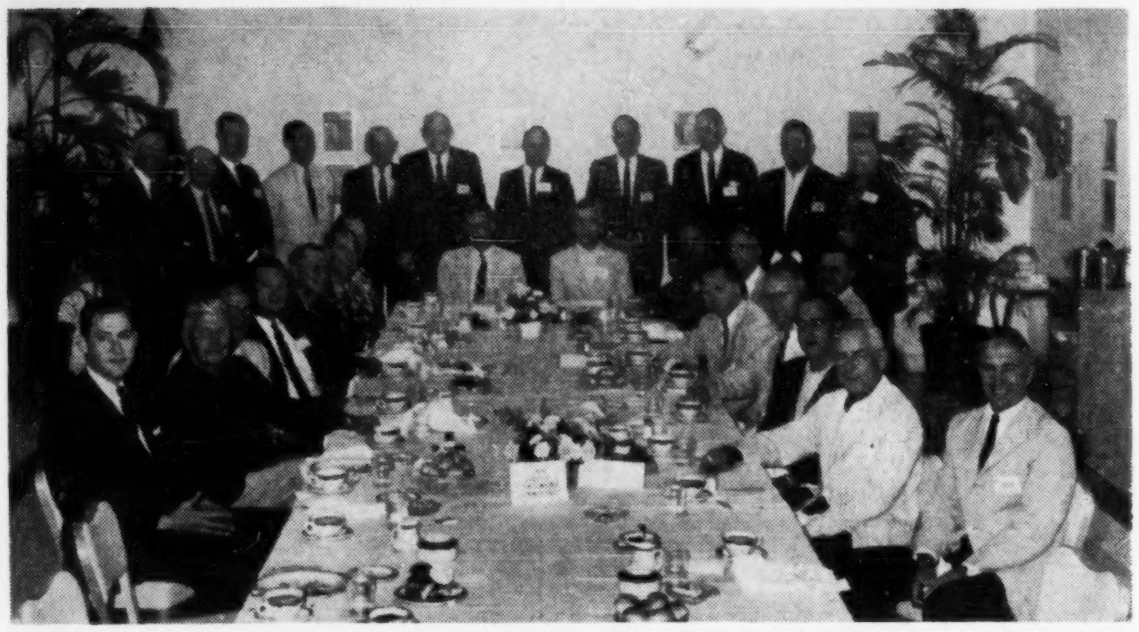


Group Chairmen's Committee, Breakfast Meeting—Paul W. Fairchild, *First Boston Corporation*, Chicago, Chairman

Federal Securities Acts Committee, Breakfast Meeting—Albert Pratt, *Paine, Webber, Jackson & Curtis*, Boston, Chairman

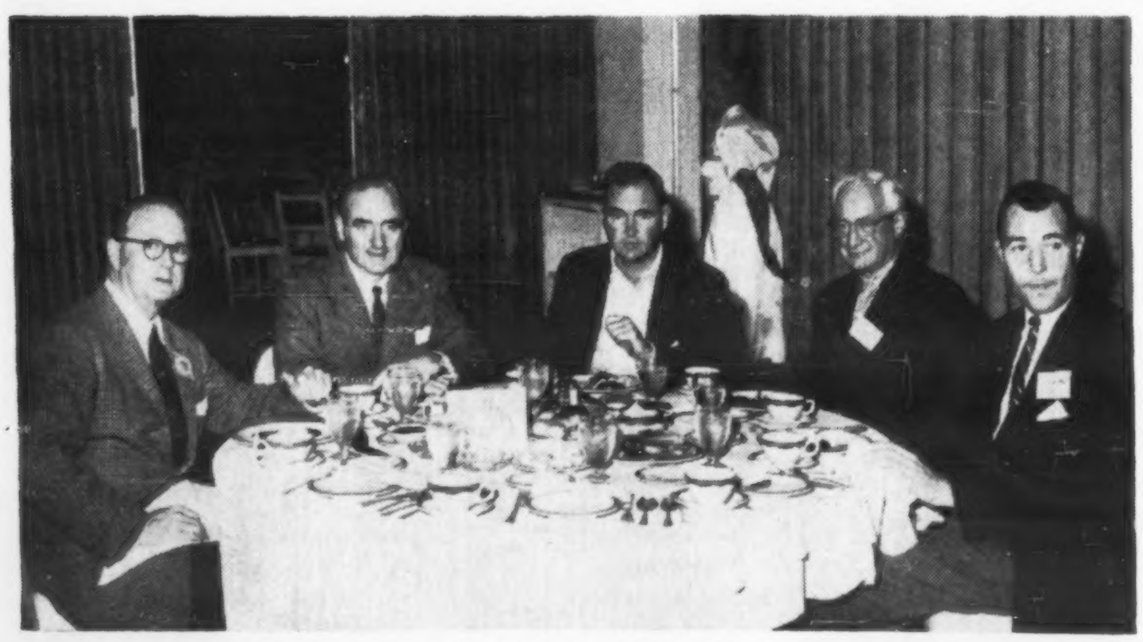
Mr. & Mrs. Howard Finney, *Bear, Stearns & Co.*, New York; Sidney S. Blake, *Janney, Battles & E. W. Clark, Inc.*, Philadelphia

Mr. & Mrs. George P. Rutherford, *Dominion Securities Corporation*, New York

Shelby Cullom Davis, *Shelby Cullom Davis & Co.*, New York; Morris A. Schapiro, *M. A. Schapiro & Co.*, New York

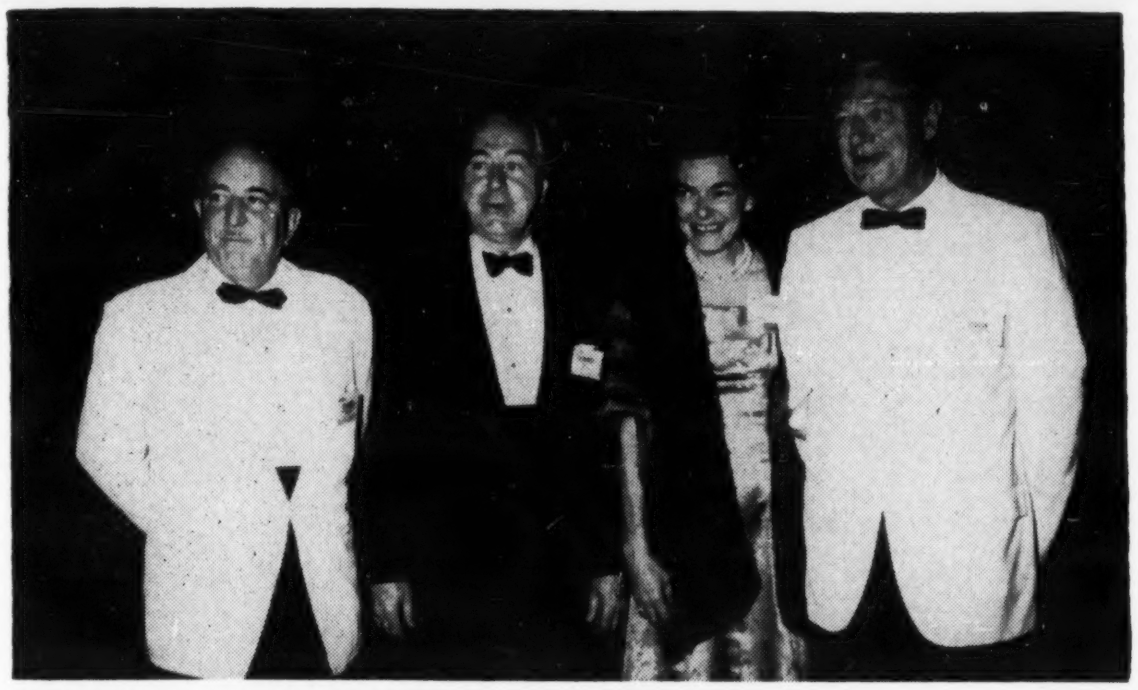
Convention Golf Committee (Breakfast Meeting)—Mason B. Starring, Jr., *A. C. Allyn & Co.*, New York City, Chairman

Education Committee (Breakfast Meeting)—Robert Mason, *Merrill Lynch, Pierce, Fenner & Smith Incorporated*, Chicago, Chairman

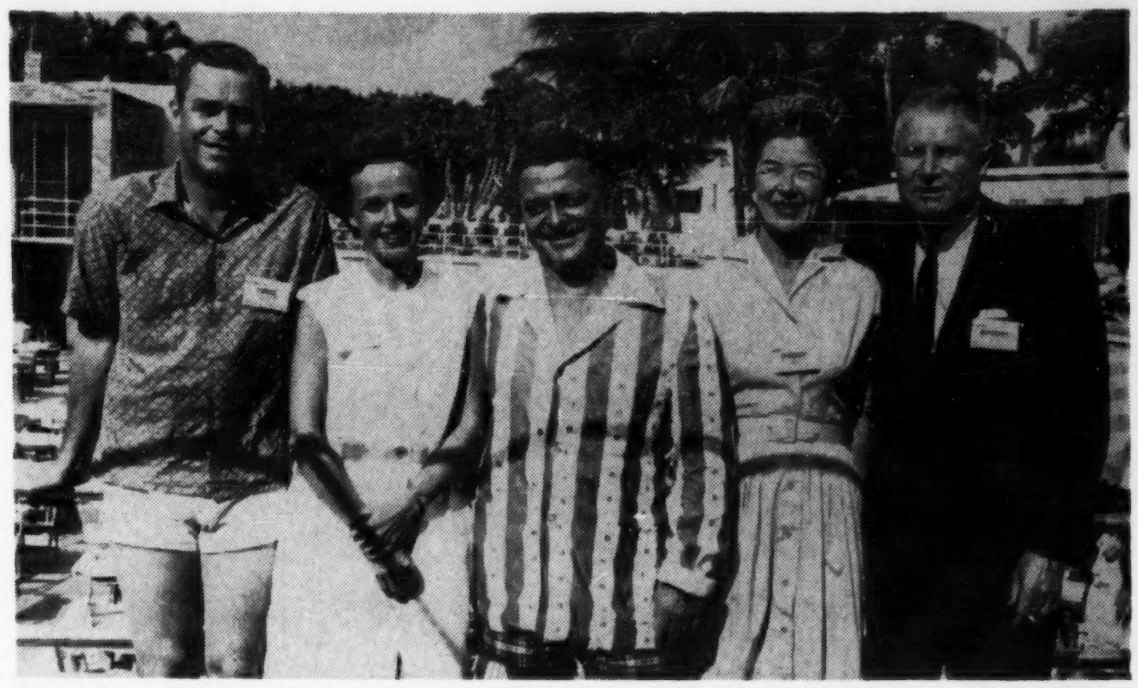


Federal Taxation Committee (Breakfast Meeting)—Walter Maynard, *Shearson, Hammill & Co.*, New York City, Chairman

Mr. & Mrs. Donald C. Patterson, *Chemical Bank New York Trust Company*, New York; Mr. & Mrs. Frank Kennedy, *C. J. Devine & Co.*, New York



Arthur Robinson, *Industrial Bank*, Providence, R. I.; Walter V. Kennedy, *H. Hentz & Co.*, New York; Mr. & Mrs. Alex. Seidler, *National State Bank*, Newark



Mr. & Mrs. Josephus R. Corbus, *The Illinois Company*, Chicago; William Noonan, *Continental National Bank & Trust Company*, Chicago; Mr. & Mrs. P. Alden Bergquist, *First National Bank of Chicago*

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process industries will come about only after atomic energy becomes competitive in electrical nuclear power plants. In the course of the year, several companies expressed interest in the AEC's demonstration process heat reactor project. The capacity would be between 30 and 45,000 kilowatts of heat.

Uranium oxide produced in this country is sold to the Atomic Energy Commission. The prevailing price between 1962 and 1966 will be $8 per pound. It is very likely that those mills having sufficient ore reserves will be called upon to continue operations after 1966. It is still too early to determine at what rate production will continue and at what price.

However, with respect to the future price of uranium oxide produced in this country after 1966, it will be interesting to follow present developments in Canada. Last March it became known that Canada has a commitment from Great Britain, dating back to 1957, to purchase 12,000 tons of Canadian uranium from 1963 to 1966. With the extension of U. S. purchases in Canada, Canadian miners are keenly interested in ensuring the sale of this additional uranium to Great Britain by means of a contract. The price agreed upon in a letter of intent is US $8 per pound, which is below the price of $10 or $11 per pound we pay to Canada. There are strong indications that the $8 price may be lowered during negotiations which are presently taking place between Canada and Great Britain.

The point we wish to stress here is that the assumption that a price below $8 may be established for an "incremental" production of uranium oxide in Canada by no means signifies that this will be the price of uranium oxide produced in Canada after 1966. A number of small "incremental" sales to Japan have already taken place at around $5, and even less, per pound from this country and from Canada. But this certainly should not be taken at face value as an indication of future prices in either country after 1966. Although it is likely that the price of uranium oxide may be lowered after 1966 as a result of improved milling technology, we should stress that the mining and milling costs account for only a moderate fraction of the total cost of the nuclear fuel cycle. Unduly low prices would hurt this industry and have but a small impact on the ultimate cost of nuclear fuel.

Chemical Reprocessing

The industrial steps which follow mining and milling are known as the feed materials plants, the gaseous diffusion plants (or possibly gas centrifuge plants), fuel preparation, and nuclear core manufacture. We have referred to these in previous reports and have explained the role of the gaseous diffusion plants. Here, the uranium oxide produced in the mills is converted into uranium hexafluoride (a gaseous compound of natural uranium), which is then pumped through thes plants in order to achieve the separation of the two isotopes of natural uranium. These plants are located at Paducah, Kentucky, Plymouth, Ohio, and Oak Ridge, Tennessee. There is nothing special to report this year on any of these industrial phases of atomic energy.

The reactor operation is directly dependent on a number of industrial steps which either precede or follow the actual operation of the reactor. Chemical reprocessing and the waste disposal that goes with it take place after the fuel has been used in a reactor. As detailed in last year's report, these operations are still in the hands of the AEC because there are not yet enough private reactors for any company to build an economic chemical reprocessing plant of sufficient capacity.

One important development this year was the creation on June 1 of a new company, United Nuclear Corporation, which was formed by the merger of NDA (Nuclear Development Corporation of America) with the nuclear divisions of Olin Mathieson and Mallinckrodt. This new company has the joint capability of designing and building complete reactor cores. Furthermore, in October of this year it appeared that Sabre-Pinon and United Nuclear might merge, subject to the approval of shareholders of both companies. Sabre - Pinon, through its partnership with Homestake Mining, produces about 10% of the uranium concentrates purchased by the United States in this country. This new merger would give the combined companies a nuclear fuel capability right from the ore, while still dependent on the AEC for enriched uranium. It would appear logical that in time such a company might go into chemical reprocessing. Certainly, their combined skills give them the capability and know-how to handle the chemical reprocessing phase, which deals with hot chemistry (radioactive products). Davison Chemical and others have also been exploring this area of reprocessing for a number of months. The problem is, however, that in the early years it would be difficult to visualize more than one reprocessing plant with the economical capacity to handle 300 tons of irradiated fuels per year. The State of New York has been very active in this area and a waste disposal site has been chosen in the northern part of the State. Such a site would be ideal for the installation of a reprocessing plant.

In the meantime, work on the Eurochemic reprocessing plant at Mol, Belgium, continues. It will be the first internationally-owned fuel reprocessing facility. Its shareholders come from governments and industries of 13 European nations.

Atomic Energy Abroad

The Commission of the European Atomic Energy Community (Euratom) and the U. S. Atomic Energy Commission announced in September that private and governmental organizations within the Community have been invited to submit so-called "second round proposals" for the construction of large-scale nuclear power plants to be brought into operation no later than Dec. 31, 1965. The member countries of Euratom are the same countries that form the European Common Market. The cut-off date of June 1, 1962 has been established for the submission of proposals.

Under the first Euratom invitation issued in 1959, one proposal only was accepted, that of the Italian utility SENN calling for the construction of a 150,000 kw. plant with World Bank assistance. It is likely that this time a number of proposals will be forthcoming. For one thing, the new invitation provides for fuel lease option while acknowledging the present AEC study of possible private ownership of reactor fuel. It is specified that if lease is converted to sale in the U. S., the Euratom lease will have to be converted to new conditions in this country.

The U. S. Atomic Energy Commission has confirmed the other conditions proffered under the first invitation: sale (or lease) to the Community of a new amount of up to 30,000 kilograms of contained U-235 for a 20 year as-

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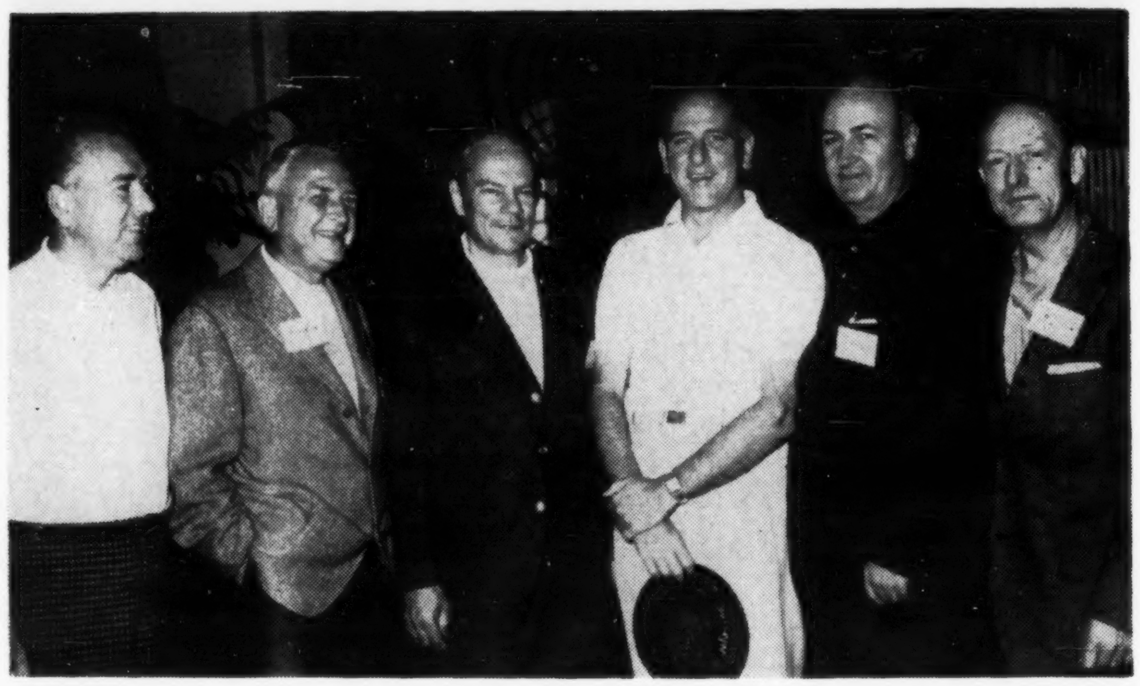
Graham Jones, *Cooley & Co.*, Hartford; Blancke Noyes, *Hemphill, Noyes & Co.*, New York; William H. Claflin, III, *Tucker, Anthony & R. L. Day*, Boston; Wallace H. Fulton, Executive Director, *National Association of Securities Dealers*, Washington, D. C.; Avery Rockefeller, *Dominick & Dominick*, New York; Andrew M. Baird, *A. G. Becker & Co., Incorporated*, Chicago



Edmund C. Byrne, *Phelps, Fenn & Co.*, New York; Edwin A. Stephenson, *Paribas Corporation*, New York; Donald C. Patterson, *Chemical Bank New York Trust Company*, New York; William D. Byrne, *Phelps, Fenn & Co.*, New York; David H. Callaway, *First of Michigan Corporation*, New York; Early F. Mitchell, *First National Bank*, Memphis

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surance of enriched fuel supply at prices comparable to those offered to U. S. industry; a deferred payment plan under which payments of principal for fuel purchase would be deferred up to ten years with a 4% interest rate —the principal would be paid in the second ten year period in equal installments; availability of 4.5% — 20 year loans from the U. S. Export-Import Bank to cover U. S.-supplied plant components and services up to 40% of the capital cost of each plant, with an aggregate total of $135 million.

It appears that the Belgian-French SENA group (Societe d'Energie Nucleaire Franco-Belge des Ardennes) has decided to build a large 260,000 kw. reactor in the French Ardennes, near the Belgian border. The German KBWP group (Kernkraftwerk Baden-Wuerttenberg Planungs-GmbH) of Stuttgart is considering a 150,000 kw. reactor plant.

In the latter part of September, the President of the United States determined that the amount of enriched uranium to be made available for peaceful uses at home and abroad will be increased to a total of 165,000 kilograms of contained uranium-235. Of this total, 100,000 kilograms is to be available for distribution within the United States and 65,000 kilograms for distribution to other countries. The material will be distributed as required over a period of years and will be subjected to prudent safeguards against unauthorized use. The last Presidential determination was made in 1957 and the present amounts are about 40% over the previous total. The President's announcement should allay the fears of foreign nations in so far as the supply of enriched uranium is concerned. The supply to foreign nations will be made either directly as in the case of Euratom or through the International Atomic Energy Agency in Vienna.

Dr. Arne Sigvard Eklund of Sweden was sworn in as the second Director-General of the I. A. E. A. last September. He succeeds Sterling Cole of the United States, who led the Agency under sometimes trying conditions during its first four formative years.

October 17, 1961 was the fifth anniversary of the official opening of the first reactor of the Calder Hall plant in the U. K. Today, there are eight similar reactors in operation in the U. K., four at Calder Hall itself and four at Chapel Cross with a total capacity in excess of 200,000 kw. Orders for new plants in future years will be at the rate of roughly one every year. Gas-cooled reactors remain dominant in the U. K. planning. As the capacity of individual stations will increase, the U. K. should have an installed nuclear capacity of 5 million kw. by 1968. The U. K. Atomic Energy Authority agrees with Euratom that the cost of nuclear power in many areas, including the U. K., will have fallen below the cost of conventional power by 1970. It appears that 1965 will also be the year of the economic break-through in Europe.

France's goal of 850,000 kw. of nuclear power by 1965 probably will be achieved. Nuclear power plants are under construction in Italy, Germany and Japan. Seven U. S. and foreign firms have submitted bids for the construction of a 300,000 kw. nuclear plant near Bombay, India. Brazil is seeking bids for a 300,000 kw. nuclear plant to serve the Rio de Janeiro-Sao Paulo area.

The atom abroad is burgeoning.

Radioactiveisotopes

In the United States, there are around 1,900 industrial firms licensed to use radioisotopes for a wide variety of purposes. Suffice it to say that radioisotopes are put to beneficial uses in hundreds of ways.

With our satellite program, the use of radioisotopes as a heat source for small-scale electric power generation has received considerable public attention this year. "Isotopic power" consists in converting the heat of radioactive decay into electricity. The discovery of the principle of this conversion goes back to the early 1800's. What is new is the use of radioisotopes for that purpose. The first satellite carrying out its mission by means of nuclear power is in orbit around the earth. Launched in June by the Navy, TRANSIT carries an atomic battery that converts the heat energy of decay of plutonium-238 into 2.7 watts of steady power for the transmitter. This achievement is symbolic of the marriage between Space and the Atom. Only nuclear power can supply the propulsion and power needs of satellites, space platforms and stations on planets.

The transmitter generator in TRANSIT is one of the units of the "Special Nuclear Auxiliary Power" or "SNAP" program. The United States expects to have an operational TRANSIT system in service by late 1962. Four satellites will give accurate navigational information anywhere on the globe.

Outside of thermoelectric SNAP systems, the AEC is also studying thermionic SNAP devices with curium-242 isotopes and a power output of a few hundred watts. Reactor temperatures of 3,500 degrees F are needed for thermionic systems because of the electron emission characteristics. So far, it has been difficult to sustain these high temperatures for any length of time because of the limitations of present structural materials.

Beyond a few kilowatts, electrical power needs can only be satisfied by a nuclear reactor. Other SNAP systems using nuclear reactors for power up to 30 or 60 kw are being developed in a joint AEC-NASA effort.

The ROVER nuclear rocket program is being pushed vigorously. Such a rocket will not be fully developed until 1966-1967. In time the nuclear - propelled rocket will carry heavier payloads much farther than chemical rockets. The technology is quite new and much developmental work is being carried out.

The field of radiation applications using decaying radioisotopes or particle accelerators is growing fast. Radiation brings about substantial changes in a wide variety of products, often improving their qualities or bringing about new properties and new products. Irradiation machines and services are now supplied by several companies. In line with AEC policy to make room for private industry wherever the latter is ready to take over any of the industrial phases of atomic energy, during the year the AEC announced that the routine production and distribution of cobalt-60 had been ended. Westinghouse and General Electric test reactors are now producing sufficient quantities of cobalt-60 for ordinary demands. The AEC will still provide material in quantities greater than 100,000 curies to those who use ionizing radiation as a major processing tool.

The radiation applications include upgrading of plastics, cold vulcanization of rubber, sterilization of surgical and hospital materials, preservation of foods and processing of petroleum products. In solid state physics, radiation also will play an important part because of its impact on alloys, semi-conductors and polymers.

An almost pure research field until the present time, radiation is now being introduced in industry and is becoming an indispensable tool in a new relation between science and industry.

Conclusions

Your Committee would like to conclude by expressing its firm conviction that the cost of one million BTUs of coal, oil and natural gas energy will continue to rise everywhere because of inflationary pressures in the Free World. Through increases in thermal efficiency and size of conventional plants, utilities have succeeded in paring down the cost of the electrical kilowatthour. The trend is likely to change in the future, mainly because it will be extremely difficult to increase the efficiency much further. On the other hand, the cost of nuclear energy can only come down in spite of inflationary pressures. The construction of large size reactors and their standardization will tend to reduce capital costs. Much has already been achieved in this direction. Many improvements in the nuclear fuel cycle, to which we have referred, will further contribute to the reduction of nuclear fuel cost.

It is encouraging to see that developments in Great Britain, the European Common Market and Japan parallel and supplement our own experience. The cross-over point between costs of conventional and nuclear power is very likely to be reached in 1965 in the high fuel cost areas of the United States and Europe.

Meanwhile, radioactive isotopes find an ever increasing usefulness in industry. Radiation is moving from the laboratory to new revolutionary applications in industry. In the field of space technology, it becomes increasingly clear that atomic energy will play the leading role.

Respectfully submitted,
NUCLEAR INDUSTRY COMMITTEE

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Mr. & Mrs. Julian K. Roosevelt, *Dick & Merle-Smith*, New York; Mr. & Mrs. Toby Morgan, *Manufacturers Hanover Trust Company*, New York

Report of IBA Aviation Securities Committee

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service, or on order, British and Canadian equipment and one of the trunk lines recently placed orders for a new, short-range British jet. Two of the local service airlines have also shown interest in this jet.

Earnings Decline for Smaller Plane Companies

Two of the three principal small plane manufacturers in the field of general aviation reported lower sales, and all three reported lower earnings, for the nine months ended June 30. General aviation includes all civilian flying except that of the scheduled airlines and the large non-scheduled carriers. These declines were primarily due to the effects of the recessionary conditions existing throughout the economy during the latter part of 1960 and early 1961. A drop in their volume of military business also occurred this year, further affecting sales. Unusually high inventories carried over from last year, plus costs involved in the introduction of new models this year, have affected margins and although sales volume picked up toward the latter part of the year, earnings for fiscal 1961 will be below those of 1960. Export sales, particularly in European markets, have shown substantial increases this year, however, and continue to represent a strong factor in the industry. The Export-Import bank has been giving considerable support to the financing of light airplane sales abroad. Foreign manufacturers of light aircraft have begun to look with interest upon the United States market and, although their penetration to date is minor, they can be expected to increase their efforts to secure a share of this and other export markets.

The sales and earnings decline this year appears to represent only a temporary interruption of the growth trend which the industry has been experiencing for some years. The Federal Aviation Agency has estimated that the number of aircraft in the general aviation fleet will increase by more than 35% by 1970.

Profit Margins in the Aerospace Industry

Perhaps the major problem which has continued to plague the aerospace industry is the constant pressure on its profit margins on defense business, which constitutes by far the largest portion of the industry's volume. One of the reasons for the narrowing margins is the increased competition within the industry, which today includes a substantial number of companies not heretofore identified with aerospace activities. Generally speaking, to the extent that such increased competition represents that of qualified entrants into the field, it is a healthy development from the nation's standpoint. However, margins on defense business are being squeezed by other and, in many ways, more rigorous forces than those of free competition. In general such forces reflect the need for an updating of the procurement practices and policies of the contracting authorities, policies which are to a considerable extent still geared to the days of long production runs in spite of the fact that today the emphasis is increasingly on large research and development contracts and small production runs. Insistence by the government that the industry finance an ever increasing portion of vital research and development work, disallowance of interest charges and other legitimate costs of doing business, confiscatory use of the renegotiation process; these are but a few of the methods employed to whittle away at the underpinning of the industry, its earning power.

As taxpayers, none of us can quarrel with the government's basic desire to get the most, and the best, out of every dollar spent for the defense of the nation and for the myriad, costly projects into which the "space race" has led us. It should be obvious to all, however, that the steady erosion of this vital industry's profit-making ability, particularly in the face of the greatly increased risks inherent in the complexity and magnitude of the projects it is asked to undertake, may in the long run result in the frustration of this country's efforts to forge maximum protection against the powerful forces which are arrayed against it. There appears to be a growing attitude of suspicion in many areas of government that profits are somehow, of themselves, wrongful. The inescapable fact remains, however, that the profit incentive is a cornerstone of our system of free enterprise, a system which has, even in other perilous times, proven its basic worth.

Emphasis on Incentive Contracts

Recent statements by government officials have expressed concern over the quality of work and speed of delivery relating to various items of defense equipment. There have been indications that greater reliance is to be placed upon incentive contracts rather than the cost-plus type which have been used with increasing frequency in recent years. It is proposed that from now on incentive contracts will contain features whereby good performance will be rewarded and poor results will be penalized.

It is obvious, in view of the life or death struggle in which the U. S. is engaged, that mediocrity cannot be tolerated in our defense and space effort. It is our belief, however, that the greater use of incentive contracts of the type referred to above is precisely what responsible members of the industry have been urging for some time and that, if properly designed and administered, they will be welcomed by the industry as a means by which it may realize profits which are more commensurate with the risks undertaken. It is to be hoped that the renegotiation procedures will also receive more enlightened administration so as to ensure the retention of any higher profits which may be received in reward for superior performance.

Generally speaking, there appears to be a need for a complete re-evaluation of the attitude of government toward the industry. A prominent industry member has recently stated that in view of the continuing demands for heavy

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Mr. & Mrs. Robert A. Jamescn, *Pohl & Co.*, Cincinnati, Ohio; Mr. & Mrs. Warren D. Williams, *Hannaford & Talbot*, San Francisco; Harry C. O'Brien, *W. E. Hutton & Co.*, Cincinnati

Roswell J. Yunker, *A. M. Kidder & Co., Inc.*, New York; Mr. & Mrs. Frederic C. Beil, Jr., *Beil & Hough, Inc.*, St. Petersburgh, Fla.; Gerald L. Hurley, *Barr Brothers & Co.*, New York

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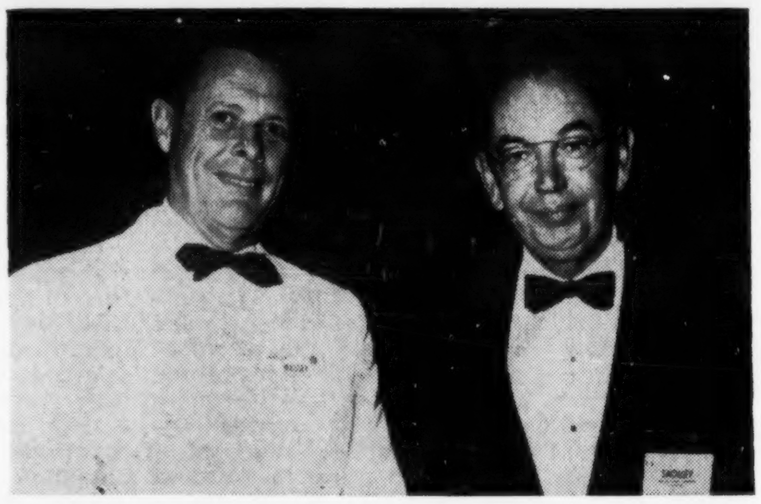
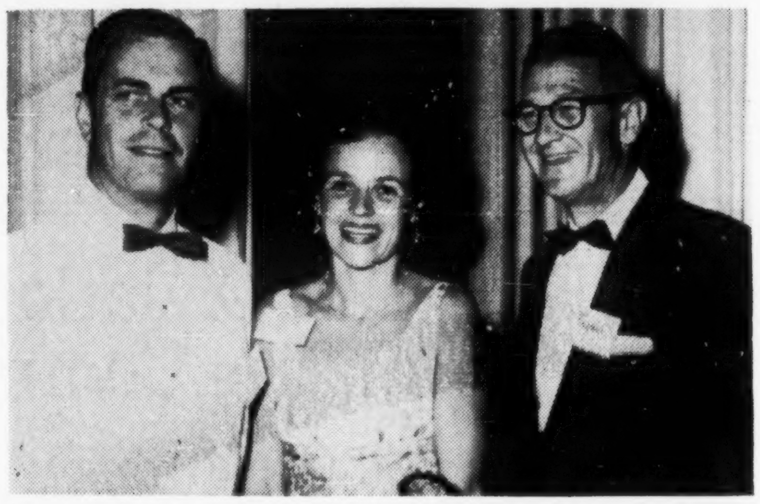


Arnold Massey, *Mills, Spence & Co., Ltd.*, Toronto; S. L. Sholley, *Keystone Custodian Funds*, Boston



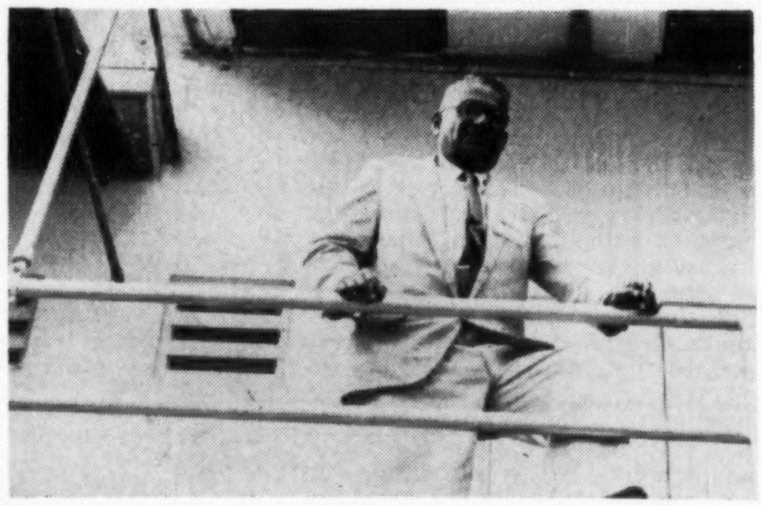
Mr. & Mrs. J. R. Corbus, *The Illinois Company*, Chicago; William R. Caldwell, *First Boston Corporation*, New York

George B. Fisher, *Bosworth, Sullivan and Company*, Denver; Mr. & Mrs. Henry Earle, *First of Michigan Corporation*, Detroit; Russell E. Siefert, *Stern Brothers & Co.*, Kansas City, Mo.

Mr. & Mrs. John W. Agnew, *The First National Bank of Boston*; Mr. & Mrs. Calvin Clayton, *Clayton Securities Corporation*, Boston

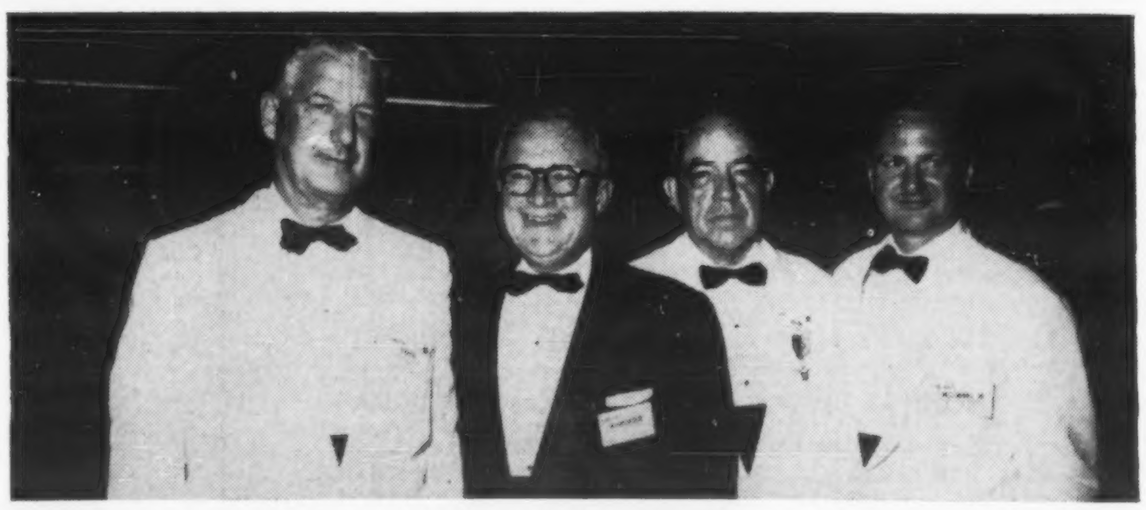
Mr. & Mrs. Leon Lees, *Ira Haupt & Co.*, New York

Charles R. Treuhold, *Paribas Corporation*, New York; James H. Lemon, *Johnson, Lemon & Co.*, Washington, D. C.; Jay Emerson Thors, *Asiel & Co.*, New York



John Wasserman, *Asiel & Co.*, New York, watching Tennis Match

Charles R. Polk, Jr., *Provident Tradesmen's Bank*, Philadelphia; Newbold Strong, *De Haven & Townsend, Crouter & Bodine*, Philadelphia; Philip P. Gaughan, *De Haven & Townsend, Crouter & Bodine*, Philadelphia; Henry E. Crouter, *De Haven & Townsend, Crouter & Bodine*, Philadelphia



Charles N. Fisher, *Singer, Deane & Scribner*, Pittsburgh; Franklin L. Schroeder, *Braun, Bosworth & Co.*, Toledo; Carr Payne, *Cumberland Securities Corporation*, Nashville; W. Bruce McConnel, Jr., *Singer, Deane & Scribner*, Pittsburgh

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investment in new and sophisticated equipment and facilities, "very large companies, or groups of companies, and a narrowing of competition may be an unavoidable part of maintaining a strong aerospace industry." The financial attrition in the industry as a result of the rigors of the current jet transport program and the huge sums which will be at risk, even after allowing for possible governmental assistance. in the development of a supersonic transport give further credence to this trend of thought. So far, however, there has been no evidence of any consistency of government policy with respect to possible mergers within the industry designed to alleviate the situation.

AIR TRANSPORT

Domestic Trunklines:

The trunk airline industry in the United States is currently completing the initial phases of a revolutionary program which involves replacement of substantially all of its piston engine equipment with turbine powered aircraft. In conjunction with the large-scale purchases of new flight equipment, the industry has been engaged in a massive program for the expansion and modernization of its ground facilities. While much remains to be accomplished, particularly in the latter area, the industry has truly made tremendous strides in the last several years. At the beginning of 1961, U. S. certified airlines had in service 224 turbojet aircraft, together with about 115 large turboprop planes. By the end of the year the lines will have received more than 100 additional jets plus about 40 turboprops. It is estimated that by the end of 1962 virtually all long and medium flights will be jet powered. Air service by jet is expanding rapidly throughout the United States. Approximately two years ago jet service was available to only six major terminals. By May 1 of this year such service had been extended to 47 airports throughout the country and the total is expected to grow to well over 100 in about five years.

The accomplishments of the industry are indeed remarkable and we are certain that today's air traveler can have nothing but admiration for the results which the industry has achieved, even in spite of minor inconveniences which he may from time to time experience. Unfortunately however the industry needs more than admiration if it is to be successful in completing its transition to the jet age and in preparing itself for the giant step into supersonic travel which may be expected to take place some time in the 1970s. For it is abundantly clear to anyone reasonably familiar with the basic statistics of air transport and, in fact, to almost anyone who occasionally glances at the financial pages of his morning newspaper, that the airlines face many challenging problems.

"Profitless Growth"

The oft-used expression "profitless growth" continues to be descriptive of the industry. The trunk lines generated approximately $2 billion of revenues in 1960 from which they were able to bring down to net income only $1.1 million. Revenues in 1961 should be somewhat ahead of 1960 but the industry is expected to show a considerable loss for the year.

Operating revenues for the eight months ended Aug. 31, 1961 were $1.48 billion, up slightly from $1.44 billion for the same period in 1960. Operating expenses, however, increased by about $57 million resulting in net losses for the industry of $12,-410,000 for the eight months period of this year, compared with profits of over $10.4 million in the comparable period last year. Of the 11 domestic trunk lines, only five were able to report profitable operations for the eight months and only two showed an improvement in earnings this year as against 1960. Trunk line common stock prices, which climbed appreciably during the first five months of the year in expectation of favorable airline operating results rising out of generally healthier business conditions, expected economies of jet operations, etc., began to sag noticeably after mid-year as the airlines' operating results become clearer and, with few exceptions, these shares have continued to perform rather poorly.

There are a number of specific reasons for the unsatisfactory operating results of the trunk lines in 1961.

(1) In many areas of the economy there was a somewhat slower than expected recovery from the recessionary conditions which prevailed last year, particularly during the latter months thereof. Furthermore, consumer spending has not shown the resurgence this year which had been expected in line with a generally healthier economy. Unlike the experience of previous years, when airline traffic has usually been quick to reflect improving economic conditions, industry traffic trends in 1961 have been quite disappointing. Total revenue passenger miles of the domestic trunks for the first nine months of 1961 were 9/10ths of 1% lower than in the first nine months of 1960. For the third quarter, which had been expected to show a more normal growth rate, revenue passenger miles flown by the domestic trunklines were only one-half of 1% higher than during the corresponding period last year.

(2) The industry suffered from costly strikes in the early months of 1961.

(3) Operating costs, including the continued break-in costs of the new jet equipment, have risen in 1961. Interest charges and depreciation accruals have likewise been higher this year.

(4) There has been a continuation of the strong trend toward broader use of coach travel versus first class. The relatively brief flight time of the average jet trip, which minimizes passenger discomfort, has increased coach usage. Coach travel on the trunk lines during the first nine months of 1961 represented 57% of the total as compared with 48.6% last year. First class travel declined about 16.5% during the nine-month period.

(5) There is presently a considable degree of excess capacity in the trunk line industry and the situation has continued to worsen as new jet equipment is introduced into service.

(6) The rapid increase in capacity, together with traffic declines experienced throughout most of 1961, has been reflected this year in further decreases in passenger load factors (the percentage of available seats actually sold in scheduled service). Load factors have shown almost continuous monthly decreases since the introduction of the jets in late 1959. Average load factor for the trunk line industry was 57.2% for the nine months ended Sept. 30, 1961, as compared with 60.4% in the comparable period last year.

Too Much Competition

While certain of the reasons set forth above for the airlines' relatively poor performance in 1961 are obviously beyond the control of either the industry or the various regulatory authorities, most of the industry's current and past problems are clearly a reflection of the inescapable fact there is an excess of competition within the industry. There is too much parallel service in most of the industry's principal markets, far more than is necessary to satisfy the basic tests of convenience and necessity. As a result of the fierce competitive forces prevalent in the industry each line must, of necessity, endeavor to put itself in the best competitive position by purchasing the most advanced flight equipment and by constant improvement of its ground facilities for servicing flight equipment, handling its passengers, etc.

Capital expenditures by the industry, both for flight equipment and ground facilities, in connection with its jet program amounted to over $3 billion through 1960 and further heavy outlays have been made in 1961. In the next four to five years it has been estimated that the domestic trunks will require approximately $1.3 billion for additional equipment plus $600-$700 million to meet payments on aircraft now in operation. While the carriers may be expected to have a respite from additional major capital expenditures during the latter half of the 1960s, they must prepare for large outlays in connection with the introduction of supersonic transports by perhaps the mid-1970s.

The industry has financed its jet equipment program to a large extent through the medium of borrowed funds. Average debt to equity ratio of the certificated carriers at Dec. 31, 1960 was approximately 1.6 to 1 as compared with an average ratio of 0.4 to 1 at Dec. 31, 1955. This heavy debt structure has resulted in increased interest charges which must be serviced if the lines are to maintain the necessary credit standing to enable them to complete their present program and to prepare for the supersonic era. In addition to such interest charges most of the airlines have incurred extensive lease obligations in connection with the purchase of flight equipment and to support expanded and modernized airport and maintenance facilities. While it is true that depreciation and amortization accruals on the vast amounts of new equipment currently in operation and to be

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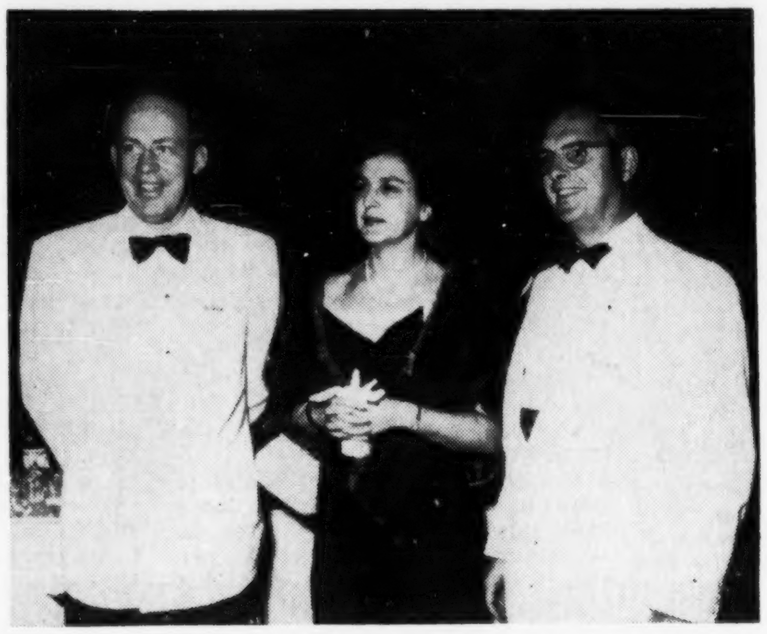
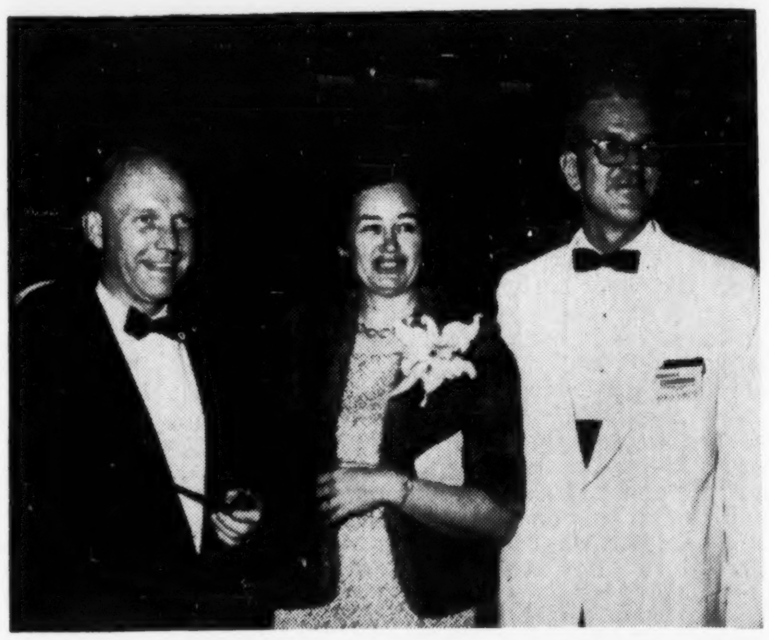
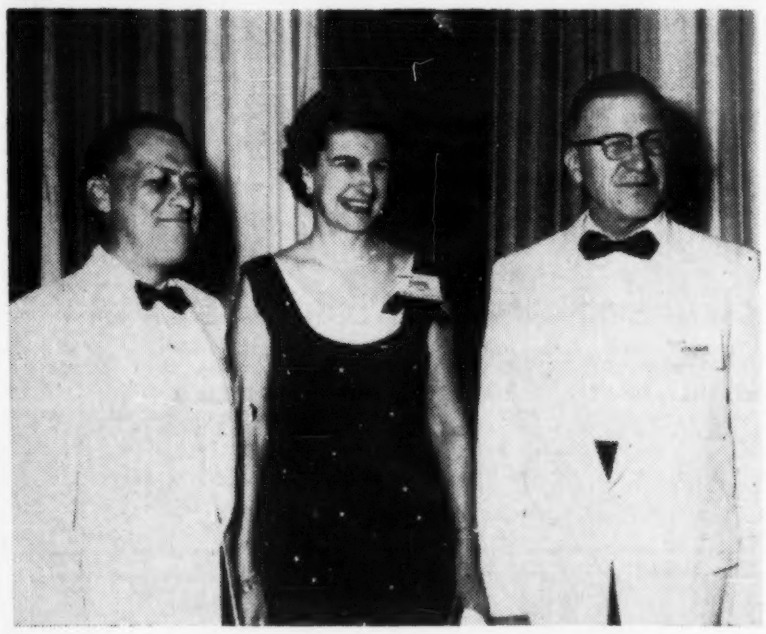
Mr. & Mrs. Stephen C. Reynolds, Jr., *Hemphill, Noyes & Co.*, New York; Chuck Rendigs, *Bache & Co.*, New York



Mr. & Mrs. Rodolph Casgrain, *Casgrain & Co., Ltd.*, Montreal; S. Grey Dayton, Jr., *Elkins, Morris, Stokes & Co.*, Philadelphia



William H. Sword, *Morgan Stanley & Co.*, New York; Mr. & Mrs. Kirkwood B. Cunningham, *Cunningham, Schmertz & Co.*, Pittsburgh



Mr. & Mrs. James Klingel, *Juran & Moody, Inc.*, St. Paul; Oscar M. Bergman, *Allison-Williams Company*, Minneapolis

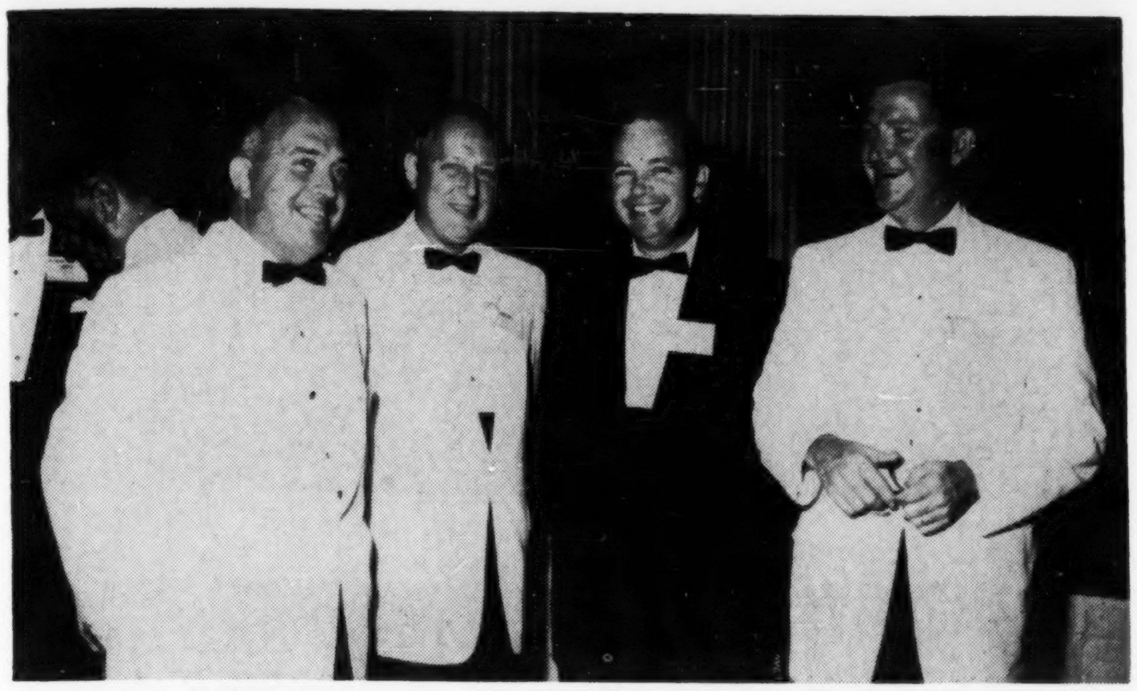
Stacey R. Henderson, *T. C. Henderson & Co.*, Des Moines, Iowa; Theodore C. Henderson, *T. C. Henderson & Co.*, Des Moines, Iowa

Carl McGlone, *Chapman, Howe & Co.*, Chicago; Brittin C. Eustis, *Spencer Trask & Co.*, New York

Mr. & Mrs Taylor B. Almon, *Almon & McKinney, Inc.*, Dallas

Mr. & Mrs. Archie F. MacAllaster, *W. C. Pitfield & Co.*, New York

Mr. & Mrs. Eugene L. De Staebler, *Eldredge & Co.*, New York



James Musson, *Newburger, Loeb & Co.*, New York; Ladd Dinkins, *Ladd Dinkins & Co.*, New Orleans; Walter D. Kingston, Jr., *E. F. Hutton & Company*, New Orleans; Lee F. Murphy, *Ladd Dinkins & Company*, New Orleans

Richard L. Nongard, *Nongard, Showers & Murray*, Chicago; Arnold J. Kocurek, *Rauscher, Pierce & Co., Inc.*, San Antonio; Frank C. Carr, *John Nuveen & Co.*, Chicago; E. William Darmstatter, *Stifel, Nicolaus & Company Incorporated*, St. Louis

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acquired may be expected to provide large amounts of cash to meet interest, rentals and debt amortization schedules, it is obvious that such cash throw-offs do not necessarily occur unless depreciation and amortization charges are earned.

Airline Fares

It is clear that the industry must be assured of attaining and maintaining a reasonable level of earnings if ever airline equities are to be capable of attracting and holding investors. The relative unattractiveness of most airline stocks has been one of the principal reasons why the airlines have resorted to debt financing. There have been comparatively few periods in recent years when airline stocks have sold much above their book values. As of a recent date the shares of all but one or two of the ten domestic trunk lines (excluding Northeast, which shows a deficit balance sheet position) were selling below their book values.

In November, 1960, after a four-year investigation of domestic airline passenger fares, the Civil Aeronautics Board concluded that a fair over-all rate of return for the domestic trunk line industry is approximately 10.5% of invested capital, based upon a somewhat lower return for the four largest carriers and a somewhat higher return for the remaining trunk line carriers. No airline met this standard in 1960 and it is virtually certain none will meet it in 1961. United Air Lines, one of the few carriers that have been showing profits this year, recently estimated that it will earn only 2% of its investment in all of 1961.

The industry has been seeking methods by which the level of airline earnings might be improved. In an effort to generate new traffic, and at the urging of the CAB, a number of the lines earlier this year introduced various kinds of promotional fares, including the much publicized "youth fare" which has since been abandoned by all of the trunk lines. Other innovations this year include so-called "air bus" and shuttle service designed to attract more travel business from private automobiles, railroads and busses. One line recently announced plans to offer special, economy jet service at prices about 25% lower than present jet coach fares. There is a considerable difference of opinion within the industry, however, as to whether or not such developments are attracting new traffic or in the long run will prove to have been mainly diversionary by enticing passengers who might otherwise have gone via first class or regular coach flights at higher fares.

It now appears that some selective upward adjustments in airline fares may be forthcoming, although the nature and timing of any such increases is presently uncertain. One of the large trunk-lines has filed for a general increase in fares and two others have filed for increases pertaining primarily to coach fares. Here again, however, there is far from unanimity of opinion among the lines as to the wisdom of fare increases at this time. Certain of the carriers have felt that a new fare increase might drive away so much business that it wouldn't help earnings. The generally disappointing results, to date, of the promotional fare program, coupled with what appears to be a cautious willingness on the part of the CAB to at least discuss the question of fare increases, may bring the industry closer together in its thinking on this subject.

The CAB has urged that the lines concentrate their efforts to cut expenses through such immediate steps as the elimination of free coach meals and the institution of penalties designed to reduce the problem of "no-show" passengers. A long range cost reduction program suggested by the CAB is the joint use of ticketing facilities, airport equipment and maintenance bases. This Committee recognizes the desirability of such "belt-tightening" procedures. It believes, however, that in view of the severely depressed level of the industry's earnings, time is of the essence and, therefore, more drastic and immediate measures are necessary. The Committee feels that favorable consideration should be promptly given by the CAB to requests by the industry for some reasonable form of selective fare relief.

Regulatory Climate

The extent to which the regulatory authorities have been concerned with the industry's problems is indicated by the fact that the airlines have been the subject of some 75 governmental studies over the past ten years. The latest of these, Project Horizon, recognizing the seriousness and urgency of the situation, has recommended a number of approaches to the problem. Included in such recommendations are (a) the refusal of the CAB to certificate new competition except wheer it is clearly justified on economic grounds: (b) a more sympathetic approach to mergers that would alleviate situations involving excessive competition except where it is clearly carriers are competing against stronger lines; (c) the encouragement of new rate plans designed to tap new sources of traffic; (d) the development of a sound plan by which all first class mail would be carried by air.

Many of the suggestions made by Project Horizon have been urged before but with little consequence. There are signs however that the regulatory authorities, who are charged by Act of Congress with the grave responsibility of maintaining a sound and healthy industry, may be adopting a more enlightened attitude. Earlier this year the CAB for the first time set up a planing bureau, a primary purpose of which is to enable the Board to anticipate and possibly head off problems which arise in the industry rather than merely attempting to correct them after they have become chronic.

The recent action of the CAB upon the conclusion of its two-year-old "non-priority mail rate case" is likewise an encouraging sign. Its decision in this case laid

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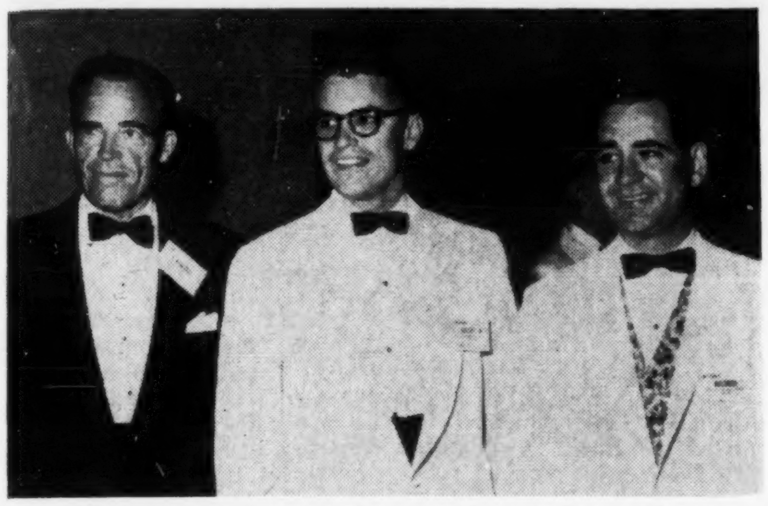
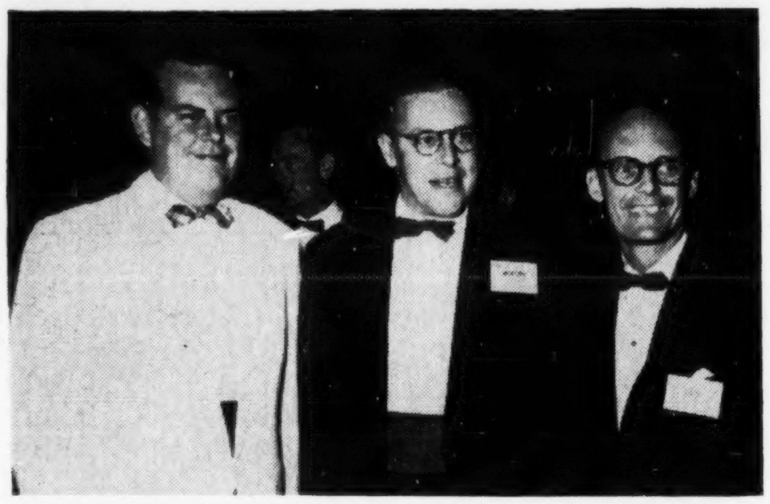
Mr. & Mrs. Harley L. Rankin, *Goldman, Sachs & Co.*, Philadelphia; Pat Morris, *Northern Trust Company*, Chicago; Mrs. Graham Jones, Hartford, Conn.

Rebels All



Lee W. Carroll, *Lee W. Carroll & Co.*, Newark, N. J.; Norman E. Wright, Jr., *The Northern Trust Company*, Chicago; Clayton F. Brown, *The Northern Trust Company*, Chicago



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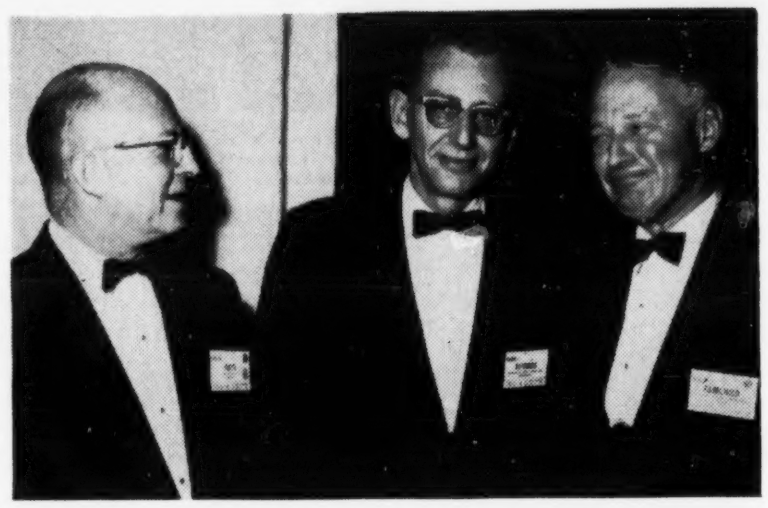

Edde K. Hays, *Dean Witter & Co.*, Chicago; Frank L. Reissner, *Indianapolis Bond & Share Corporation*, Indianapolis; Paul W. Fairchild, *First Boston Corporation*, Chicago

Andrew S. Beaubien, *L. G. Beaubien & Co. Limited*, Montreal; Mr. & Mrs. Garrett H. Taylor, *Wood, Gundy & Co., Inc.*, New York; Mr. & Mrs. Fremont W. Robson, *McLeod, Young, Weir, Inc.*, New York

Richard B. McKinney, *Taylor & Co.*, Los Angeles; Mr. & Mrs. John J. Fosdick, *Eddleman, Pollok, Fosdick*, Houston; Mr. & Mrs. Richard Bingham, *Bingham, Walter & Hurry, Inc.*, Los Angeles

Mr. & Mrs. Fred Stone, *Marine Trust Company of Western New York*, New York City; Arthur R. Robinson, *Industrial National Bank*, Providence, R. I.

William F. Gliss, *John C. Legg & Company*, New York; Preston J. McNurlen, *F. S. Moseley & Co.*, Chicago; David C. Packard, *John C. Legg & Company*, New York

Vincent Newman, *Channer, Newman Securities Company*, Chicago; E. William Darmstatter, *Stifel, Nicolaus & Company, Incorporated*, St. Louis; Chuck Miller, *Mullaney, Wells & Co.*, Chicago

Mr. & Mrs. Davies Robertson, *Albert McGann Securities Company*, South Bend, Ind.; Barney Dreyfuss, *Ferris & Co.*, Washington, D. C.; James F. Gallivan, *Alester G. Furman & Co.*, Greenville, S. C.

Mr. & Mrs. Richard C. Swagler, *Odess, Martin, Sellers, Doe & Bonham*, Birmingham; Mr. & Mrs. James W. Chandler, *W. L. Lyons & Co.*, Louisville

Clarence F. Blewer, *Blewer, Glynn & Co.*, St. Louis; Mr. & Mrs. Kelton E. White, *G. H. Walker & Co.*, St. Louis; Mr. & Mrs. J. Earle Jardine, Jr., *William R. Staats & Co.*, Los Angeles; Mr. & Mrs. Charles H. Schimpff, *Investment Company Institute*, Los Angeles

E. William Darmstatter, *Stifel, Nicolaus & Company, Incorporated*, St. Louis; Mr. & Mrs. Vincent Newman, *Channer, Newman Securities Co.*, Chicago; Mr. & Mrs. Newell S. Knight, *First National Bank*, St. Louis

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out broad new authority for the airlines to obtain a large portion of new mail carrying business. The final decision as to whether the carriers will be able to avail themselves of this authority must be made by Congress however and it is expected to take a year at least before a decision will be forthcoming.

With respect to air cargo the CAB has been urging the Military Air Transport Service to contract its airlift business to the private carriers on a more realistic basis. Also, the revocation by the CAB on Oct. 1, 1961 of its 15-year-old minimum air freight order may be considered as evidence of the Board's willingness to allow more rate-making flexibility to the industry.

The Board has indicated its concern over the Administration's proposal to retain the 10% transportation tax on air fares, increase the aviation gasoline tax and add a two cent per gallon tax on jet fuel. Stating that addition of the fuel tax would cost the industry $34 million in 1962, the CAB has urged that any additional fuel tax be conditioned upon removal of the 10% transportation tax. Industry estimates as to the cost of the jet fuel tax are considerably higher. Congress did not remove the 10% transportation tax this year and the jet fuel tax question has been put off until next year. It is difficult to comprehend the thinking behind this proposal which would add such a staggering burden to an industry that is already in far from robust financial condition.

Mergers the Solution?

Airline mergers have for some time been widely discussed in government, industry and financial circles as offering logical solutions to the problem of excess competition in the airline industry. The major development in this area in 1961 was the United-Capital merger which represented the first merger between major elements of the industry in a number of years. The CAB has made it quite clear that its approval of this merger should not be taken as a "green light," emphasizing that such action was literally the only practical course available in view of the critical financial position of Capital. However, CAB Chairman Allen C. Boyd has gone on record several times in the past as favoring mergers.

In a recent statement, Mr. Boyd spoke out very strongly on this subject, indicating that "mergers probably present the best solution" for easing the plight of several of the financially weak lines. He stated that if merger studies are not undertaken promptly by the lines themselves, he personally feels that the CAB should initiate such studies for the purpose of arriving at recommendations as to which lines should merge. Mr. Boyd mentioned that as criteria for CAB approval a merger must be in the public interest, providing better service to more people, and it must result in the continuation of effective competition between airlines.

The action of the CAB with respect to the decision which it will be required to make in the relatively near future when it completes its Cleveland competitive service investigation will afford observers both within and without the industry an excellent opportunity to judge whether the seemingly more sympathetic attitude of the CAB toward the problem of excessive competition is real or illusory. Purpose of the investigation is to select carriers to operate in competition with United Air Lines in four markets (three of them involving Cleveland) where United now has no airline competitor due to its merger with Capital Airlines. Most of the ten airlines which are seeking authority to operate in certin or all of the four markets have also asked the CAB to include in the investigation route applications involving new, through-plane service to markets other than the four directly involved. If the CAB acquiesces to the latter requests it may well result in the introduction of considerably more competition into the four markets, and into other markets, than was present prior to the United-Capital merger. As previously mentioned, Project Horizon has recommended that the CAB refuse to certificate new competition except where justified on economic grounds. Final decision of the CAB in this particular proceeding should be indicative to the industry whether such recommendation will be heeded.

International Air Transport

Turning to the field of international air transport we find that excessive competition is the dominant factor here also. As more and more carriers join the ranks of international competition, and as additional jet aircraft are placed in service, capacity continues to increase faster than the growth in traffic. There are more than 200 turbine aircraft in international service today and the number is increasing constantly. For prestige reasons many of the smaller nations, including a number of the newly independent ones, are entering the international transport market. There are now 18 scheduled airlines, including the two United States flag operators, plying the North Atlantic routes and all but one of them are equipped with jet aircraft.

Although passenger traffic in this market during the first nine months of 1961 increased by about 8% over the comparable period last year, seat capacity expanded by about 41%. As a result of this imbalance, average load factors over the North Atlantic have been adversely affected. Load factors during the four peak months June through September averaged

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about 53% this year, down from 68% in the 1960 period.

Even more so than in the domestic market, air travelers on the international routes are favoring economy class accomodations over first class. With the great increase in available space the average traveler seems more interested in the factors of speed and economy than in the glamorous features of first class travel. Economy class accounted for 90% of the North Atlantic total in the third quarter this year against 84% last year.

U. S. Flag Carriers Continue Losing Ground

The past year has seen a continuation of the decline, which commenced in about 1950, in the relative position of the United States flag carriers on the international air lanes. During the last ten years their participation in the trans-Atlantic market has dropped from about 63% to about 40%. United States flag lines carried about 55% of the traffic between the United States and Latin America in 1960, down from about 80% in 1950. Their percentage of the Pacific business has recently been about 67% as compared with almost 79% in 1953.

It has been a logical expectation that U. S. international air transport, which had carried the preponderance of post World War II international air traffic up to and including the early 1950's, would tend to decline as other countries strengthened and expanded their air operations in world markets. However, the rapidity and extent of the decline in recent years have been such as to raise serious questions as to certain of the basic concepts of competition in these markets.

Beginning with the so-called Bermuda Bilateral Agreement which was entered into by the United States and the United Kingdom in 1947, this country has concluded some 40 additional bilateral agreements with foreign nations with respect to air routes between such nations and the U. S. All of these agreements have been founded on the principle that each coutry should be allowed to schedule sufficient capacity to adequately service the traffic flow from or to such country. The U. S. flag carriers, however, are faced with an obvious problem in connection with these agreements in view of the fact that this country generates so much more international traffic than any other single country. Thus the United States offers far greater profit potentiality to a foreign airline which is granted access to our market than is available to American flag carriers through a reciprocity agreement with the foreign airline's particular country of origin.

Furthermore, most aviation authorities feel that, for diplomatic and other politically inspired reasons, the United States has been inclined to be overly generous in granting so-called "third country" or "and beyond" rights to foreign lines which enable them to carry traffic between the United States and other foreign countries in addition to the particular line's homeland. Most foreign governmets have tended to be considerably more restrictive in granting such rights to the U. S. flag carriers. Also the degree to which foreign carriers have been al-

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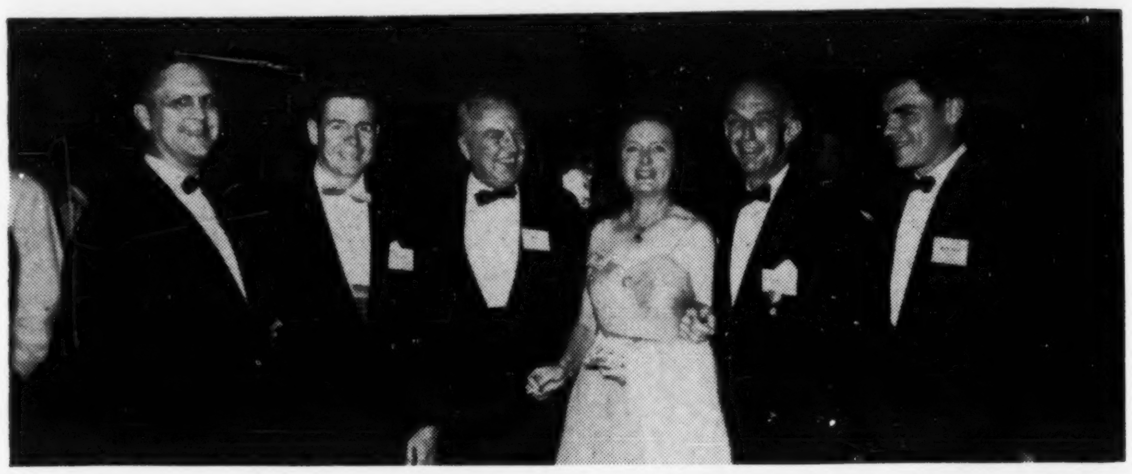
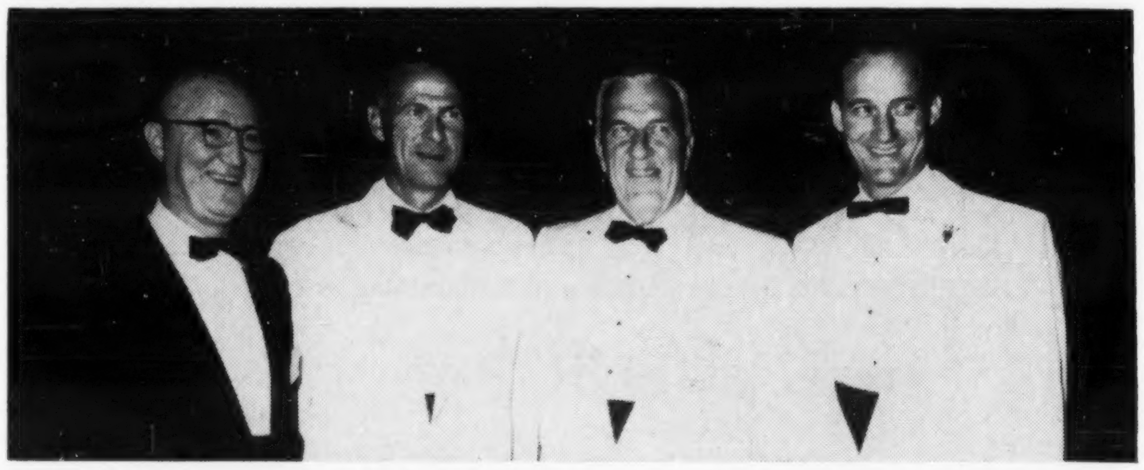
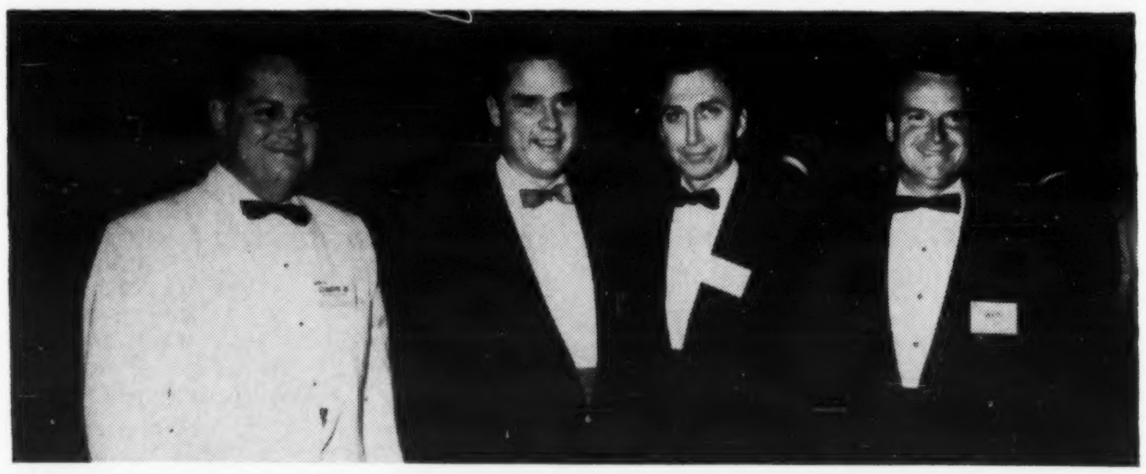


Robert King, Jr., *First Securities Corporation*, Durham, N. C.; Frank A. Chisholm, *Varnedoe, Chisholm & Co.*, Savannah, Ga.; Mr. & Mrs. Charles M. Werly, *George Putnam Fund*, Boston; Frank L. Newburger, Jr., *Newburger & Co.*, Philadelphia; Allen Weintraub, *Newburger & Co.*, Philadelphia

Daniel C. Kennedy, *Lord, Abbett & Co.*, Chicago; Mr. & Mrs. Albert Hughes, *Lord, Abbett & Co.*, New York; Roald A. Morton, *Blue List Publishing Co.*, New York; Mr. & Mrs. Gustave A. Alexisson, *Walston & Co., Inc.*, New York



Joseph J. Muldowney, *Scott & Stringfellow*, Richmond, Va.; Mark A. Smith, *F. W. Craigie & Co.*, Richmond, Va.; Arthur S. Friend, *Folger, Nolan, Fleming-W. B. Hibbs & Co.*, Washington, D. C.; William A. Stevens, *J. C. Wheat & Co.*, Richmond, Va.



Harry N. Schweppe, Jr., *Mercantile Trust Company*, St. Louis; Joseph G. Petersen, Jr., *Joseph G. Petersen & Co.*, St. Louis; Felix N. Porter, *First National Bank & Trust Co.*, Oklahoma City; Floyd Beatty, *A. G. Edwards & Sons*, St. Louis

Bart Harvey, *Alex. Brown & Sons*, Baltimore; Wheelock Whitney, Jr., *J. M. Dain & Co., Inc.*, Minneapolis; Mrs. Joseph R. Neuhaus, Houston, Texas; Harold H. Sherburne, *Bacon, Whipple & Co.*, Chicago; Wallace Latour, *Merrill Lynch, Pierce, Fenner & Smith Incorporated*, New York

Walter Stohl, *Fidelity Union Trust Company*, Newark, N. J.; Mrs. Claude D. Seibert, New York; Walter V. Kennedy, *H. Hentz & Co.*, New York

Matthew J. Hickey, III, *Hickey & Co.*, Chicago; George R. Torrey, *McCormick & Co.*, Chicago; Wallace D. Johnson, *David A. Noyes & Co.*, Chicago

John McG. Dalenz, *Calvin Bullock, Ltd.*, New York; Joshua A. Davis, *Blair. & Co. Incorporated*, New York; Walter Sorensen, *Rotan, Mosle & Co.*, Houston, Texas

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lowed to extend their routes into U. S. cities beyond their gateway points of entrance into this country affects not only the U. S. international carriers but also creates additional competition in the domestic trunk line markets.

New Concept May Be Needed

There is a difference of opinion within our government today as to whether a solution to these problems can be arrived at within the framework of the principles of the Bermuda Agreement or whether some entirely new concept must be developed. The problem is obviously a very complex one, involving not only the economic postures of many nations, but also the delicate areas of diplomacy and politico-economics. The ability of U. S. airframe manufacturers to continue their export sales of commercial jet transports in certain markets could be affected by our actions in dealing with the problem. The importance of a strong and vigorous U. S. international air transport system both from the economic and the military standpoint, however, demands that some equitable solution be evolved.

One of the recommendations in the Project Horizon report is that a comprehensive study of U. S. international aviation relations be undertaken to "review our objectives in the field of international aviation in terms of an opportunity for profitability for our carriers and assurance of the availability of the best possible air service at the lowest feasible price." Project Horizon suggests that such study should include a review of all rights which have been exchanged with foreign nations since World War II, including the basis of the policies determining such exchanges and probable future trends. It is encouraging to note that a steering committee, including representatives from the CAB, Department of Defense, Department of Commerce and other governmental agencies, has been named to supervise a study of international air transportation which is to be made by a private consulting firm. The CAB is currently carrying on an investigation of the terms, conditions and limitations of foreign air carrier permits. Public hearings are scheduled for later this year.

Local Service Airlines

A significant development in this comparatively little known segment of the air transport industry occurred this year when the 13 local service airlines began operating under the CAB's new class mail rate system of subsidy. Unlike the old system of individual subsidy, which was based primarily upon the size of operating losses, payments to individual carriers under the new system are based upon a formula which tends to reward those lines who operate most economically and efficiently.

Several of the local service carriers reported profitable operations during the first half of 1961 and virtually all have shown substantial improvement over the 1960 period. Broadly speaking, equities of the local service lines have shown price appreciation this year, although the down trend in airline stock prices in general, which commenced in mid-year, has also been reflected in many of the local service stocks.

It is much too early to judge whether the new system will accomplish the objectives of the CAB to stimulate the more efficient operation of these carriers, to develop more rapid traffic growth and to increase the ability of the industry to re-equip itself. However, it is encouraging to note the progress which is being made, not only through the efforts of the regulatory authorities but also through the industry's own attempts to solve its cost problems through self-imposed efficiencies. At least two of the members of the industry have progressed to the point where they have seen fit to order small turbo-jet equipment which is expected to be introduced into service beginning in 1965.

Helicopters

The three U. S. certificated helicopter carriers, operating in the Chicago, Los Angeles and New York areas respectively, passed the 500,000 mark in passenger traffic for the first time in 1960. Traffic patterns this year have been somewhat conflicting, with gains in the Los Angeles area tending to offset a substantial drop in the Chicago airport complex. New York traffic has remained at about the same level

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as last year. Total revenue passengers carried by the three lines in the first six months of 1961 decreased about 10% from the same period last year. Revenue passenger miles, however, were up 7%. Operating revenues in the six months this year aggregated about $4,114,000, down slightly from 1960. The continued rise in operating expenses, however, resulted in operating losses of $334,000 in the six months period this year compared with operating profits of $129,000 for the 1960 period. The lines continue to be heavily subsidized and indications are that subsidy needs will remain substantial for the foreseeable future. However, on a per available seat mile basis, subsidies have dropped from about $3.61 in 1954 to $0.26 in 1960. While breakin costs relating to the new large turbine-powered helicopters currently being introduced into service will initially require larger subsidy, it is expected that operating economies of the new equipment should result in a downward trend in subsidy payments.

The introduction of these new machines constitutes a major development in helicopter transport. With a capacity of 25-28 passengers, virtually double the capacity of the largest piston engine craft, and substantial improvements in speed, operating economy, all-weather capability, etc. the new helicopters should pave the way for eventual self sustaining operations by the carriers.

CAB Subsidies

Congress ruled this year that that the CAB can spend no more than $6,000,000 in helicopter subsidies during the fiscal year ending next June 30. The CAB had requested $6,900,000. As a result of this action by Congress, the CAB has told the three scheduled carriers that their operations and expansion plans will have to be curtailed this year. Several of the Committee members have expressed the viewpoint that it was unwise of Congress to take action which may hinder the activities of these carriers just when they appear to be reaching a crucial point in their development.

The so-called "commercial helicopter" field, which includes all helicopter operations other than those of the three scheduled passenger lines, has continued its impressive growth. A survey conducted earlier this year indicated that there are approximately 245 U. S. and Canadian commercial helicopter operators which last year did $50 million of business involving 57 different types of service. The greatest activity is in five areas—charter and taxi, photography, forestry, power-line patrol and crop spraying.

All-Cargo Carriers

Turning to the subect of air cargo we find again the specter of excess capacity and the effect thereof upon the profitability of the all-cargo operators. The air freight business has been growing at a healthy rate for a number of years and its growth has continued this year. However the total volume of present air freight traffic is still not sufficient to fill the available capacity. The situation has been aggravated by the introduction of jet equipment, not only because the jets can carry more freight faster but also because the trunk lines and U. S. flag carriers have pressed certain of their surplus piston engine engine equipment into use as all-cargo carriers. The total movement of freight by air is, of course, still very small in relation to the overall freight business. Less than 1% of total domestic inter-city freight traffic was carried by air in 1960.

Two Domestic Carriers

There are only two U. S. certificated all-cargo carriers in scheduled domestic service plus a third which operates scheduled service over the North Atlantic. Operating revenues of the two domestic carriers have been running ahead this year and one of the two, Flying Tiger, showed a net income of $169,000, before capital gains from sale of aircraft, for its fiscal year ended June 30, 1961. The carrier recently reported that it lost money in its fiscal first quarter ended September 30, primarily due to expenses connected with putting new equipment into service. Seaboard World Airlines, the North Atlantic all-cargo carrier, showed a drop in revenues and experienced operating losses of about $2.6 million in the first eight months of this year, reflecting the extremely competitive conditions in that market. Even these losses represent an improvement over the 1960 eight months period, however, when the carrier suffered operating losses of $6,383,000. Most of the total air freight continues to be carried by the large trunk line and U. S. flag carriers. The all-cargo lines' portion of total air freight in 1960 amounted to only about 25%.

Lower Rates Essential

A key to the successful development of the air freight market continues to be lower rates, both domestically and on the international routes. The magnitude of the rate reduction task is indicated by the fact that, according to studies conducted by the Air Transport Association, air freight rates range anywhere from two to ten times the rates for surface transport of materials and products suitable for carriage by air. Other major hurdles in the development of this market exist on the ground. Not only is there need for expanded and modernized ground facilities for handling increases in air freight volume but the customers themselves must learn to tailor their surface distribution systems so as to obtain more fully the benefits offered by air freight.

Several of the all-cargo carriers are planning to place into initial operation, sometime in early 1962, new turbo-prop aircraft, such as the CL-44, a swing-tail design which is expected to reduce operating costs considerably. Leading U. S. jet transport manufacturers have developed and currently are offering to cargo carriers various cargo configurations or combination cargo/transport configurations of existing military and commercial turbofan powered transport aircraft such as the C-135, 707, and DC-8. Use of turbo-fan powered equipment, with its increased ton-mile capability, promises not only substantial reduction in operating costs but requirements for fewer aircraft and therefore less investment on the part of the carrier. Within four to five years it is expected that there will be available a civil version of the C-141, a jet cargo aircraft, employing turbofan power plants, which is being developed for the Air Force. Its proposed pay-load of about 75-95,000 pounds compares with the 50-65,000 pound pay-load of the CL-44 turbo-prop. The industry is confident that the advent of such specialized turbine powered equipment and the expected operating economies thereof will be conducive to the development of a more competitive rate structure.

Besides the introduction of new equipment, the past year has seen other developments of importance to the air freight industry. The CAB, for example, in October of this year removed its longstanding minimum freight rates. Although many of the trunk line carriers disapprove of this action by the CAB, fearing posible rate wars, the Board has stated that it was removing the rate floor in order to allow the carriers "maximum flexibility and opportunity to expand with promotional rates." As previously mentioned, the CAB has also continued to urge that the Military Air Transport Service contract more government business to private lines at prifitable rates. The CAB chairman recently suggested that joint air-rail and air-truck rates be explored as a possibility for expanding the use of air freight.

A controversial point is that relating to the currently proposed legislation for making low interest rate, government guaranteed loans available to finance purchases of all-cargo aircraft. Members of previous aviation securities committees have indicated a belief, with which we concur, that (a) such government guaranteed loans would not necessarily be of major importance in the development of the air cargo business and (b) that implementation of such loans is contrary to our nation's basic philosophy of free enterprise. In this connection several of the all-cargo carriers are currently asking that they be made eligible for direct subsidy. The CAB has been reviewing the subject of subsidy, both direct and indirect, to these carriers and a ruling is expected shortly.

Conclusion

This has been another difficult year for the air transport industry. Nevertheless, in spite of the many serious problems which the air carriers continue to face, there are encouraging signs that satisfactory solutions to these problems may be found before too very long. The increasing indication of a more realistic and sympathetic attitude on the part of the regulatory authorities is perhaps the most hopeful of these signs. Much remains to be accomplished however, and it is incumbent upon the airlines, the authorities and all others directly or indirectly concerned with this vital industry to exert maximum effort toward meeting its problems.

The following is an excerpt from a talk recently given by Mr. James F. Oates, Jr., president of the Equitable Life Assurance Society of the U. S.:

"May I remind you as a representative of a substantial investor, that institutional investors, which have for many years financed all types of transportation carriers, hope to continue to do so.

"They will, however, be forced out of this type of investment if it becomes much more difficult to see a clear prospect of adequate earning power under private management. The alternative is Government ownership-nationalization. We cannot afford that alternative."

It so happens that the principal subject of Mr. Oates' remarks was the railroad industry and the bitter experiences with government operation thereof which had been suffered by this country, in World War I, and by a number of foreign nations. It is a sobering thought that the speaker's words with respect to government ownership-nationalization as the alternative of "adequate earning power under private management" might equally be applied to the air transport industry.

Respectfully submitted,

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Report of IBA Oil, Natural Gas Securities Committee

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rates and rate of return on pipeline operations.

Mention was made in last year's report of the adoption by the Federal Power Commission of a broad program for regulating rates of independent natural gas producers on an area price basis, instead of confining itself to the utility rate base method which it found was not workable. In the meantime area rate proceedings for two large producing areas—the Permian Basin and southern Louisiana—have been commenced. Into these proceedings have been consolidated a number of individual cases which involve the prices of gas produced in these areas, but it is still not clear what principles of price regulation are going to be applied in the outcome of these proceedings and others which may be held in the future.

In an address before the Independent Natural Gas Association last spring, Mr. Joseph Swidler, the new Chairman of the Federal Power Commission, expressed some of his own views on this subject. There has been a great change in the membership of the Commission, which shortly will be comprised entirely of new appointees. The comments of the new chairman may perhaps be regarded as the best available indication at this time of what to expect in the way of FPC policy on regulation of producer prices.

New Chairman's Philosophy of Price Reassuring

The new chairman stated very clearly that he does not believe that the production of natural gas lends itself to a utility-type cost of service and rate of return approach. He recognized that the independent producer takes real financial risks in the hope of a large reward if he is successful, and that he cannot be expected to risk his money without the hope of something more than the type of return which is usual for utility-type enterprises. He expressed the view that area prices should serve as ceilings and not as floors. He alluded to the fact that the major parties to these proceedings have been ordered to furnish extensive information on costs and stressed the point that area rates cannot be put into effect without a knowledge of at least the overall cost of producing gas within the area.

In general, his views on this subject may be considered reasonable and reassuring but, of course, it remains to be seen whether the administration of these policies and the final treatment of prices is reasonable. After all, it is often possible for two parties to agree on a set of principles but all too easy to disagree on what it takes to implement those principles. In any event, it will still take a great deal of time for any working policy to develop from these area price proceedings; in the meantime many individual applications which appear to have merit are being held up to the detriment of those producers affected.

Pipeline Stocks in Disfavor

Turing to the subject of rate of return for pipeline companies, the industry is still awaiting evidence that the Commission is going to allow adequate increases in rate of return in order to offset the increasing cost of senior capital. The Commission has issued several opinions on rate of return in the last year or so, from which emerged an apparent pattern of allowing an overall rate of return sufficient to produce a rate of return of 10-11% on the common stock equity component of the company's capitalization without regard to the degree of leverage in the particular company's capitalization. Such a policy, if it is a policy, completely ignores the differences in risk to the common stockholder which result from differing degrees of leverage.

Investor reaction to the pattern of these recent decisions has been noticeably one of discouragement, as evidenced by the fact that mutual funds have, on balance, been sellers of pipeline securities during the 12 months which ended June 30 of this year, the latest date for which figures are available at the time of this writing. The new Commission will have an opportunity to regain investor confidence when it comes to decide several cases which are now in progress. It is fervently hoped that, in the interest of consumers and investors alike, the Commission will not come forth with "too little too late."

Economic trends in the natural gas industry have continued to show up well. In the year 1960 new records were set in the consumption of natural gas with an increase of 5.7% over 1959. Transmission main showed an increase of 4.4% to 183,830 miles of pipe; distribution main increased by 5.4% and field and gathering facilities were up 4.9%. Residential gas customers exceeded 30 million in number for the first time. Proved recoverable reserves of natural gas reached a new peak of 263.8 trillion cubic feet at the end of 1960 in spite of record net production during the year.

Canadian Developments

The Canadian oil and natural gas scene in 1961 has been marked by three major developments. First, there has been a substantial improvement in both actual and anticipated crude oil production. Second, there has been logical working out of the implications of the improved outlook for natural gas resulting from the granting of the 1960 export permits. And third, there has been a continuance of poor operating results in the refining and marketing sector of the oil industry stemming from overcapacity and intense competition.

The most important new development in the Canadian oil industry in 1961 has been the enunciation early in the year of the National Oil Policy. The background to this is significant.

New National Oil Policy Enunciated

In 1960, Canadian production of crude oil and natural gas liquids averaged some 540,000 barrels per day against a production capacity well in excess of one million barrels. This situation was reflected in a strong agitation for governmental measures designed to increase oil output, and toward the end of the year it became known that a thorough study of the entire situation was being undertaken for the Federal Government by the National Energy Board. Speculation as to possible government action finally ended with the announcement by the Federal Minister of Trade and Commerce on Feb. 1, 1961 of a National Oil Policy. This policy was designed to use persuasion rather than coercion to produce a substantial rise in Canadian Oil and natural gas liquids output.

The industry was expected to arrange for an increased use of products in Ontario refined from domestic crude by the elimination of direct imports of crude oil into Ontario refineries and by displacement of products refined from imported crude oil and shipped into Ontario from Montreal. In addition, the industry through its U. S. connections was expected to secure materially imported export markets, particularly on the U. S. West Coast where other imported crudes, not U. S. domestic production, would be displaced. The entire National Oil Policy was designed as an alternative to more stringent measures involving the capturing of the Montreal refining market for Canadian crude through tariffs, quotas, or other arrangements. Target levels for Canadian Production established under the National Oil Policy were 625,000 barrels per day by mid-1961, an

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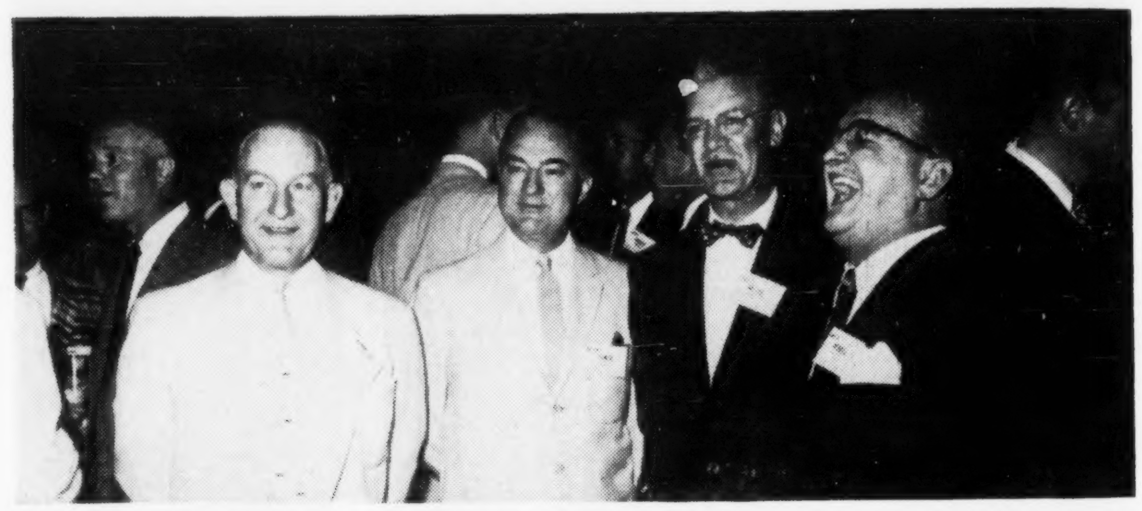

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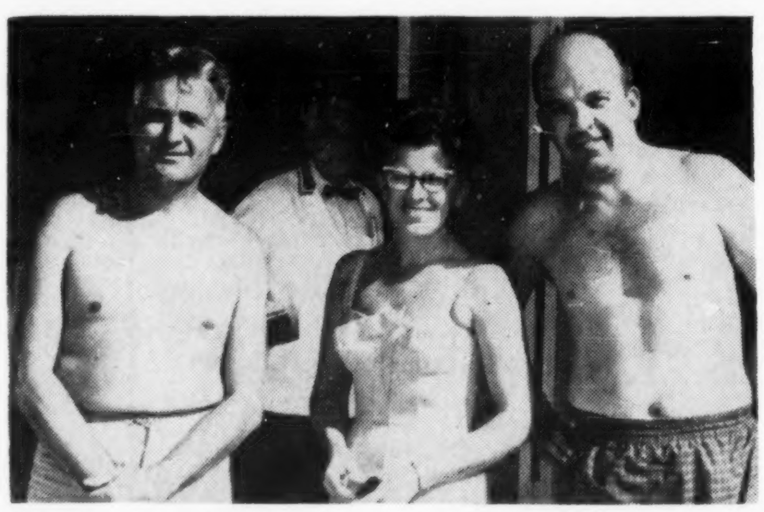

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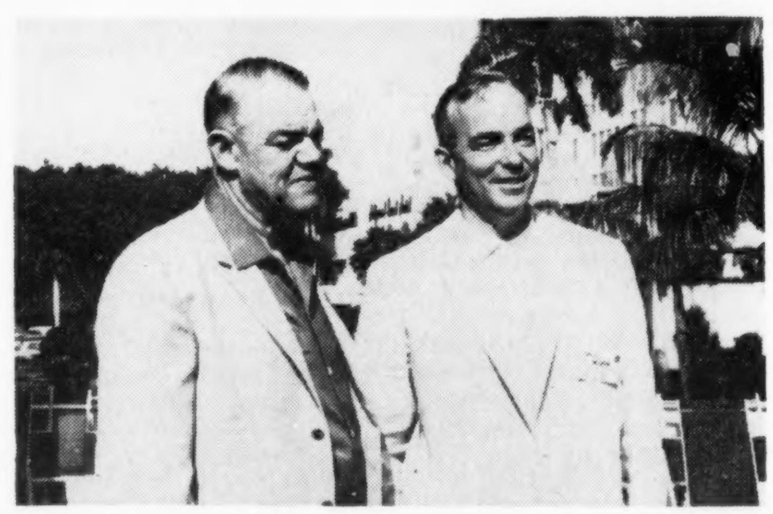

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average of 640,000 barrels per day over the whole of 1961, and an average of 800,000 barrels per day in 1963.

Favorable Reaction

The initial reaction within the oil industry to the announcement of the National Oil Policy was generally favorable, the targets being regarded as stiff but within the bounds of possibility. While many smaller independent production companies were disappointed at the failure to initiate construction of a new oil pipeline from western Canada to Montreal, most major companies were pleased to avoid the rigidities which such a move would have imposed.

During the course of 1961, the progress made in meeting the National Oil Policy targets probably was surprising even to its warmest advocates. In June, production averaged some 633,000 barrels per day against the target figure of 625,000. Toward the year end it became apparent that the overall target figure for the year of a 640,000 barrels per day average would likely be exceeded by a small margin, while the outlook for meeting the 1963 target of 800,000 barrels per day was encouraging.

Progress made in 1961 reflected to some extent an increased use of Canadian crude in Ontario, but this increase was limited by the complexity of the supply rearrangements necessary and will be restricted in the long run by available refinery capacity. Thus perhaps the most important development in Ontario was the announcement of new refinery construction to be undertaken in the province and completed within the next two years, aggregating some 55,000 barrels per day. The real area where progress was made in 1961 was the export field. Exports to the U. S. West Coast rose from some 50,000 barrels per day in 1960 to an indicated level for 1961 of some 93,000 barrels, the increase representing a greater use of Canadian crude by previously connected refineries. Exports to other U. S. areas, notably the Midwest, rose from some 65,000 barrels per day in 1960 to an indicated level of some 91,000 barrels in 1961, the increase stemming primarily from the entry of Canadian crude for the first time into the Detroit-Toledo-Buffalo refining areas.

The initial U. S. reaction to Canada's National Oil Policy was cautious, and repeated warnings were forthcoming that Canada should not force the pace of growth of exports to the U. S. beyond reasonable levels. Toward the end of 1961 concern was expressed in some quarters at the rate of growth of Canadian exports to the U. S. Midwest, and U. S. Interior Secretary Udall was quoted as saying that the rise in Canadian oil flow to that area had gone much faster than had been anticipated. While no actual cutback in levels of Canadian oil exports to the U. S. is currently expected, some easing of their rate of growth now seems likely; this, however, will probably represent no more than a normal leveling off of exports into the newly penetrated Detroit-Toledo-Buffalo areas after the initial buildup period.

New BC Pipeline Nearing Completion

An interesting side development in the 1961 Canadian oil scene has been the commencement of the construction (due for completion by the year-end) of an oil pipeline entirely within the Province of British Columbia connecting the oil fields in the Peace River area of the Province with the Trans Mountain line to Vancouver at Kamloops. Despite arguments regarding the economic as opposed to the political justification for the project, there is no doubt that it will greatly stimulate oil exploration and development in north-eastern British Columbia. At the same time markets for Alberta oil will to some degree be cut back by the new and unproprated British Columbia production which will acquire a direct pipeline connection with markets.

The outlook for Canadian oil producers has been improved in 1961 not only by the success to date of the National Oil Policy in increasing production, but also by an improvement in the well-head price of crude. This improvement, 10 cents per barrel for light grades and up to 18 cents for some medium gravity crude, has stemmed primarily from a reduced exchange value for the Canadian dollar brought about by Canadian Government action during the year with a view to improving Canada's international trade position.

The 1960 Report of this Committee referred to the approval in that year of three major new Canadian gas export projects and to the greatly improved outlook for the Canadian gas industry consequent on this approval. Some of the implications of the approval have been worked out in 1961.

One of the three export projects approved last year was in operation throughout 1961 while the other two had facilities in the course of construction during the year but were not in operation. Thus natural gas production, rising from 1,238 million cubic feet per day in 1960 to an estimated 1,700 million in 1961, only began to reflect the increased export demand for that product. Construction activity in the natural gas industry was at an unprecedented level, not only in connection with the construction of the main trunk lines involved in the Alberta to California export projects and their related gathering systems, but also in connection with gas processing facilities in gas fields throughout Alberta. The bulk of this construction was running substantially on schedule as the year drew to a close, and will result in the operation

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for the full year 1962 of the remaining authorized export projects.

Controversy in Alberta

Probably the most interesting by-product of the activity in the Canadian gas industry in 1961 was the cute controversy which came to a head in the Province of Alberta over the disposal of natural gas liquids. In view of the very substantial increases in production facing the industry, much of it coming from wet gas fields in the Alberta foothills, it became evident some time ago that a surplus of natural gas liquids beyond Canadian prairie requirements would likely arise. Just how substantial this surplus will be is a matter of wide disagreement. This year and in 1960 the Alberta Oil and Gas Conservation Board had before it applications from six groups designed to deal with natural gas liquids surplus in varying ways.

The most extensive project was that of Westalta Products Pipe Line Ltd. and Foothills Pipe Line Ltd. (both associates of Pembina Pipe Line Ltd. and the Standard Oil Company of Indiana) which wished to construct a grid system in Alberta designed to collect products for shipment through a proposed new U. S. line to Chicago. Two other rival companies, Provincial Products Pipelines Limited (a subsidiary of Canadian Husky Oil Ltd.) and Hydrocarbons Pipeline Limited (a subsidiary of Canadian Hydrocarbons Limited) advanced more modest proposals involving the construction of grid systems in Alberta and the utilization of existing pipeline systems to eastern Canada. The British American Oil Company Limited, through a subsidiary, sought to construct two short products lines into the Alberta refining centers of Calgary and Edmonton, and Hudson's Bay Oil and Gas Limited asked for a permit for a short line from certain southwestern Alberta fields to the U. S. border where products were to be exported into facilities of the company's parent, Continental Oil Company. In addition, Royalite Oil Company Limited also asked for a permit for a short line into Calgary.

It will be seen that the proposals ranged from the most ambitious and long-term integrated projects to a series of smaller measures of only partial applicability to the industry, most of them designed to fit into wider overall schemes at a later date.

In June of 1961 the Alberta Oil and Gas Conservation Board made a recommendation, later accepted by the Alberta government, indicating that in its view it is still early to launch an overall integrated plan for disposing of the province's surplus natural gas liquids, and favoring a step by step approach. The Alberta to Chicago comprehensive system was rejected; no doubt the feeling that U. S. producers might object to a sudden shipment of substantial additional quantities of products into the heart of the Midwest market played some part in the Board's thinking. In addition, the two proposed Alberta-only grid systems were rejected, along with one of the two short lines proposed by The British American Oil Company Limited. The remaining applications were approved.

Toward the year-end the other B. A. project and the Royalite project had been proceeded with and were substanially complete, while the Hudson's Bay Oil and Gas Limited project still sought Federal approval from the National Energy Board.

Overall drilling in the Canadian oil and gas industry in 1961 lagged some 6% behind 1960 levels. The decline was concentrated in the development sector and reflected a lack of major new discoveries and a trend toward wider well spacing in existing fields. Exploratory drilling was well maintained and statistics indicate no slackening in the search for new reserves.

While Canadian gas utilities continued in most cases to have a good experience in 1961, the refining and marketing segments of the oil industry continued in the doldrums. Most observers feel that several more years must yet elapse before surplus refinery capacity in many areas of the country is again fully utilized.

International Oil Industry

With free foreign areas displaying faster economic growth than the United States, the growth in energy requirements is expected to outpace that of the domestic economy. Over the next decade, energy consumption should increase at an annual rate of 3½% in the United States and 4¼% in the free foreign area. Despite the large growth potential which exists for hydroelectric facilities, the bulk of the prospective worldwide gain in energy demand will be satisfied by petroleum and natural gas. In 1960 petroleum and natural gas supplied approximately 44% of free foreign energy requirements, and The Chase Manhattan Bank, in a recently published study entitled "The Future Growth of the World Petroleum Industry," estimates these two sources will account for 57% of total energy requirements in 1970. In certain areas, notably Western Europe, oil is still in the process of displacing coal as the primary source of energy.

Per Capita Consumption Increasing Abroad

Anticipated population growth rates for the free foreign part of the world are almost identical with those of the United States. However, since foreign population is almost 10 times greater, the prospective growth in absolute numbers of people is considerably

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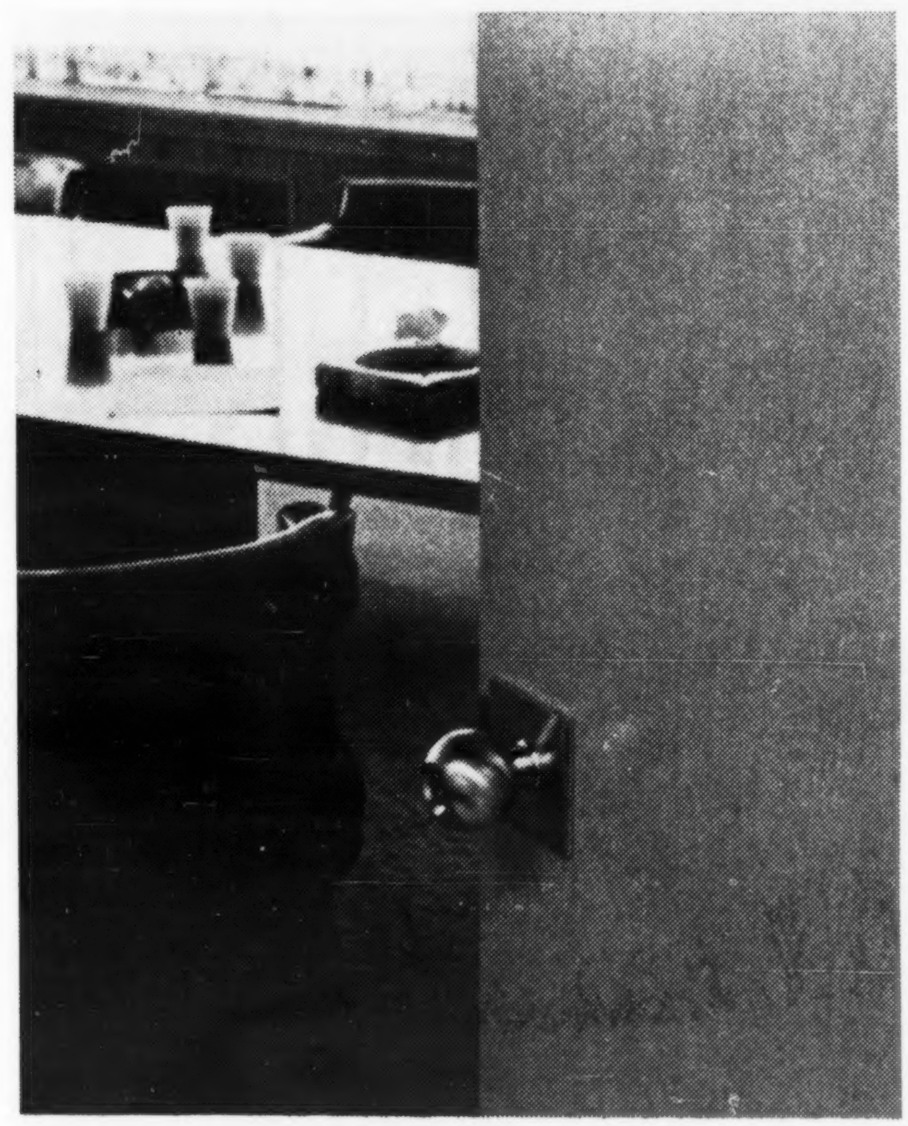

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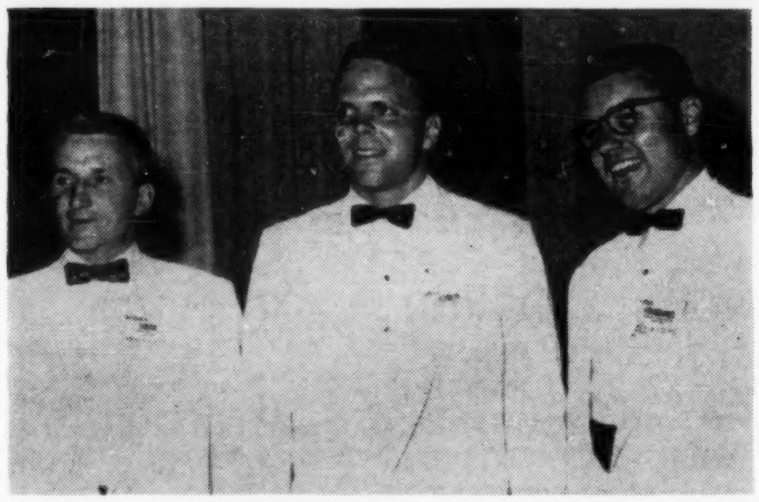

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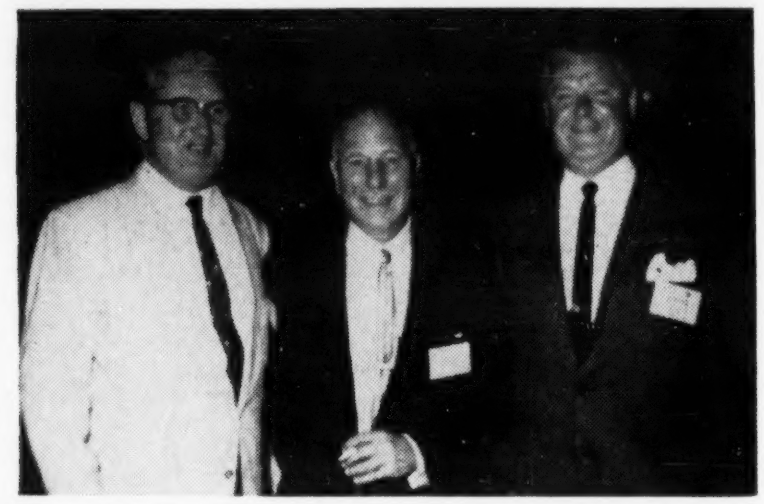

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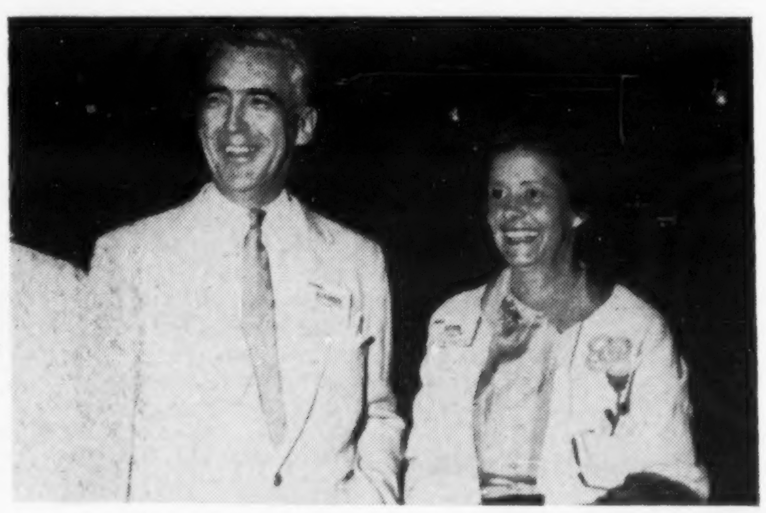

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larger. While the United States should add 37 million people by 1970, free foreign population should increase by 250 million. In addition, since the per capita consumption in the free foreign area is only about one-ninth that of the United States, the prospective rate of per capita growth is three times faster than in the United States. At the present time a citizen of the United States utilizes 43.5 barrels of oil or its equivalent per year. Canadian consumption is comparable. However, the rate in Australia is 40 barrels, Western Europe 15 barrels, Japan seven barrels and Latin America not quite four barrels.

A noticeable trend in recent years has been the desire by people in foreign areas to own an automobile. This has resulted in the growth of registered privately-owned cars from 12 to 32 million in the past decade. Also, while the number of people per car is still very much higher than in the United States, it has declined from 120 to 52 in the past decade. Most of the foreign growth in car ownership has occurred in Western Europe. Over the past decade, automobile registrations there rose from six million to 21 million while the ratio of persons per car declined from 47 to 15.

The continued high level of industrial activity in Western Europe has supplemented this trend. The economies of all of the nations in this area continue to operate at close to capacity as standards of living are constantly being raised. Consequently, European companies have steadily increased plant capacity and many American companies have entered the continent. It is likely that industrial activity in Western Europe will remain at high levels for several years notwithstanding periodic business fluctuations.

Reserves Unevenly Distributed

There is little doubt that crude oil reserves are more than ample to support the estimated growth in demand over the next 10 years. However, these reserves, currently in excess of 230 million barrels, are unevenly distributed in relation to consuming areas. The United States presently accounts for more than 50% of free world demand but has only 15% of reserves. In sharp contrast is the Middle East with 68% of reserves and less than 1% of consumption. In fact, Middle Eastern reserves could satisfy all of the world's needs for petroleum during the next decade if adequate producing and transportation facilities were provided and political stability assured.

During 1960 free world consumption of petroleum products totaled 19 million b/d, a gain of 7% over 1959. Usage of petroleum products in the United States advanced only 2.4% to 9.7 millon b/d, while an increase of 12.4% was recorded by all other free world countries. At the same time production of crude oil in the free world averaged 17.7 million b/d, an increase of approximately 6% over the 1959 figure. During this period Eastern Hemisphere production increased 15.8% while Western Hemisphere production increased 1.4%. Thus the pronounced trend of recent years continued with the United States showing a decline as both a consumer and producer of petroleum products, relative to the rest of the free world.

Competition for "International" Companies

Until the past two or three years producing activities outside the United States were almost completely dominated by the seven major international oil companies. Through increased earnings, combined with low capital expenditures, these companies were able to show a steady increase on the return on their foreign invested capital through 1955 when a figure of 30% was reported. Other United States companies, observing the increasing earnings of the internationals, were determined to participate in this bonanza. Consequently they invested heavily in new Venezuelan concessions in 1956 and 1957. The existing internationals, in order to maintain their dominant position, bought their share of these concessions. When oil in large quantities was found in Lake Maracaibo, and Middle Eastern production continued to expand, resulting competition for markets caused lower prices and profit margins. Also in 1959 the Venezuelan Government imposed higher income taxes.

All of these factors resulted in a precipitous decline in the return on foreign invested capital to 13% in 1960. Many of the "newer" international companies which made initial foreign expenditures in the middle 1950's have yet to report foreign profits. Moreover some of them may be forced to give up part of their producers' profit in order to market their output.

More recently, sizable reserves have been found in North Africa and other American companies, as well as government-owned companies of consuming nations, have taken promising concessions in the Middle East. Over the next several years these potential producers will be actively seeking markets for their reserves which may result in severe competition at the marketing level and consequent pressure on prices. Accordingly, the major international companies will be forced to share future foreign demand growth with some of the newer participants in foreign production.

Furthermore, exports of crude by the Soviet Union are continuing to increase to the detriment of the worldwide price structure but are still relatively unimportant volumetrically.

Within the past month Standard Oil of New Jersey began shipments of crude from its Zelten field in Libya. It is presently shipping 60,000 b/d of Libyan crude for consumption in Western Europe. And early in 1962 the pipeline being constructed for Oasis Oil Company (Amerada, Continental and Ohio) will be completed. Initial shipments through the latter line will approximate 100,000 b/d with 60% of this for the Oasis group. Within the past year, Ohio Oil has completed arrangements with the Spanish Government for the construction of a minority-owned refinery in that country and has recently announced that a similar type deal is being negotiated in West Germany. Also, Continental Oil has announced the acquisition of marketing companies in West Germany and Great Britain.

Production Controls Thwarted

During 1960, production in the Middle East once again forged ahead to new highs, and to date in 1961 is also somewhat ahead of the pervious year. Despite the entry of Libyan crude to world markets, further gains in Middle Eastern output are anticipated during 1962. Venezuelan output has failed to show any appreciable gains in the past few years since the imposition of higher income taxes by the government, which have forced prices up to non-competitive levels. Further increases in consumption will likely be met by Middle Eastern and North African production.

Efforts by the Venezuelan Government and some representatives of Middle Eastern producing countries to form an alliance for the purpose of limiting the supply of crude oil have so far been ineffectual. Within the producing countries, there is still a great deal of sentiment toward receiving a higher share of the profits. However, the resistance of the oil companies, as well as the creation of alternative sources of supply, have limited recent pressures along this line.

During 1960 the tanker fleet of the Free World increased 2.8 million tons or 4.7% with the delivery of 5.6 million tons which was partially offset by 2.8 million tons scrapped or converted to other uses. The trend toward the construction of larger tankers of the 50-60 DWT size is still in progress while older, smaller tankers are retired. There is ample tanker capacity available; thus, rates are still low, making

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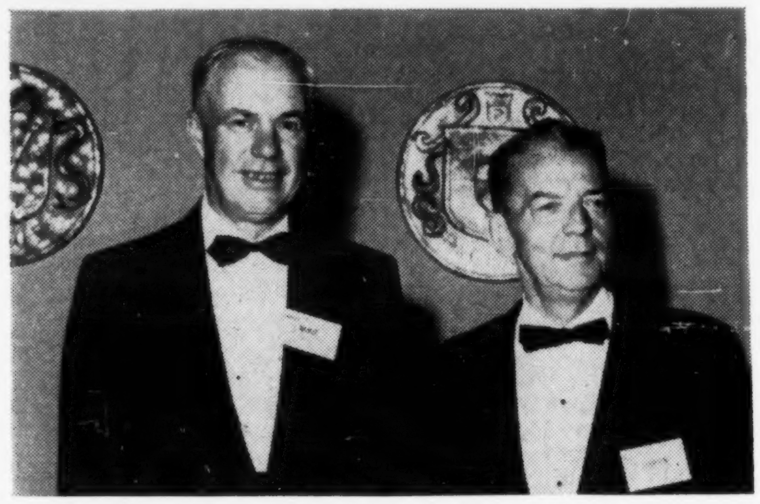

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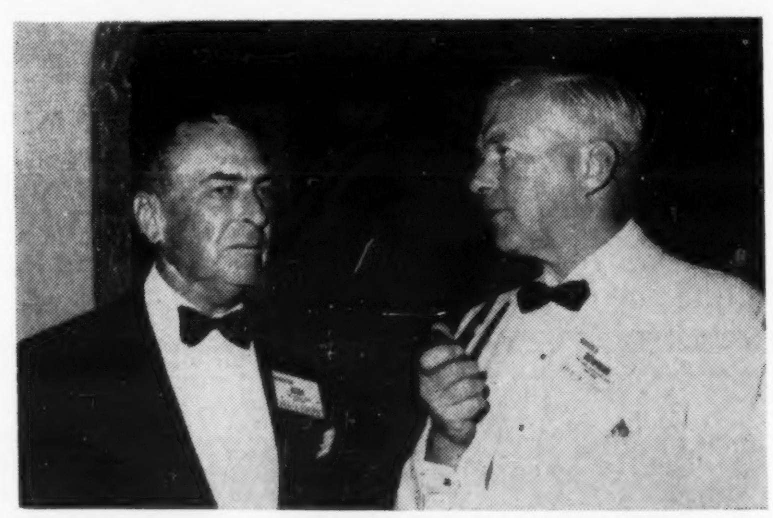

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Middle Eastern oil competitive in any part of the Free World.

Capital expenditures in the Free World for petroleum facilities approximated $10.7 billion in 1960, somewhat less than the $11.1 billion expended in 1959. At the end of 1960, 55% of the petroleum industry's gross fixed assets of $105 billion was located in the United States and 45% abroad. Capital expenditures outside of the United States are likely to remain at about the present levels for the next several years as the newer foreign producing companies seek to build up their productive capacity. Also the constant growth in Western European demand requiring the construction of new refineries and the expansion of existing ones, as well as the rapid growth of the petrochemical industry in that area, will keep capital expenditures at high levels. Furthermore, the trend toward locating refineries inland near consuming centers involves larger initial capital outlays as these refiners are served by pipelines running from deepwater terminals which are served by tankers.

Despite the larger volumes of crude oil produced and refined products sold, profits of the major international oil companies during 1960 were little changed from the previous year. This is the result of the substantial deterioration in foreign crude and product prices that has occurred abroad since 1955. Moreover, weakness is likely to continue over the next couple of years until at least part of North African increment is fitted into world markets.

Over the past two or three years the United States major internationals (Standard Oil of New Jersey, Texaco, Standard Oil of California, Gulf and Socony Mobil) have to varying degrees increased domestic earnings as a percentage of total earnings. In 1960 this group derived 48% of its profits from the United States versus 43% in 1957. Managements of these companies have devoted considerable effort to achieving a greater degree of integration within the United States and further efforts along this line may be anticipated. These companies have been active bidders for the purchase of domestic crude oil reserves as well as refining and marketing properties. Two illustrations of this are the purchases during the past year of Monterey Oil Company by Standard Oil of New Jersey and Standard Oil of Kentucky by Standard Oil of California. They have also spent huge sums on internal growth, notably on the drilling of favorable properties and the expansion of marketing facilities.

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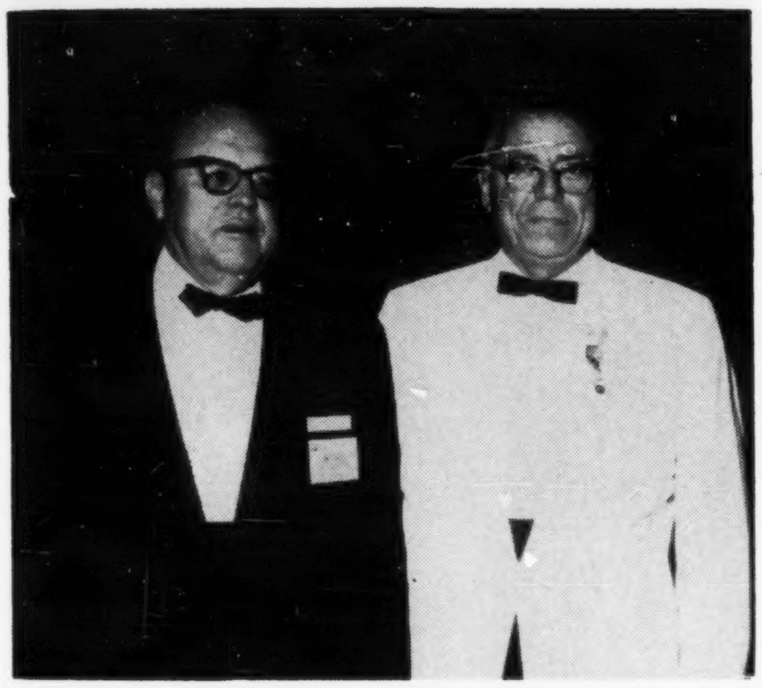

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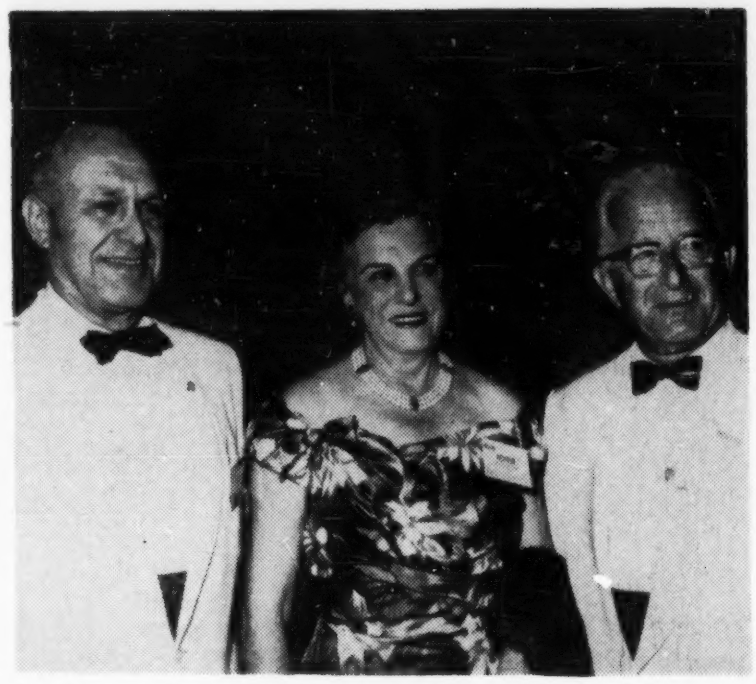

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MULLIGAN, RICHARD F.
Robert Garrett & Sons, Baltimore
MUNFORD, III, BEVERLEY B.
Davenport & Co., Richmond
MURCH, BOYNTON D.
Murch & Co., Cleveland
MURPHY, HAL E.*
Commercial & Financial Chronicle, New York
MURPHY, JOSEPH D.
Stifel, Nicolaus & Co., Chicago
MURPHY, LEE F.
Ladd Dinkins & Co., New Orleans
MUSSON, JAMES F.
Newburger, Loeb & Co., New York
NARES, G. PETER
James Richardson & Sons, New York
NASH, JOHN M.
Investment Bankers Association, Washington
NELSON, W. LINTON*
Delaware Management Co., Philadelphia
NEUHAUS, JOSEPH R.*
Underwood, Neuhaus & Co., Houston
NEUMARK, ARTHUR J.
H. Hentz & Co., New York
NEUWOEHNER, HIRAM
White & Co., St. Louis
NEWBOLD, JOHN S.*
W. H. Newbold's Son & Co., Philadelphia
NEWBORG, LEONARD D.
Hallgarten & Co., New York
NEWBURGER, Jr., FRANK L.
Newburger & Co., Philadelphia
NEWHARD, HARRY W.*
Newhard, Cook & Co., St. Louis
NEWMAN, Jr., A. JOSEPH
The Philadelphia Bulletin, Philadelphia
NEWMAN, VINCENT*
Channer Newman Securities Company, Chicago
NEWTON, Jr., FRANK R.
Lentz, Newton & Co., San Antonio
NEWTON, GEORGE A.*
G. H. Walker & Co., St. Louis
NICHOLS, LEONARD F.
Maritime Administration, Washington
NISBET, Jr., W. OLIN*
Interstate Securities Corporation, Charlotte
NIX, ALLEN J.
Riter & Co., New York
NONGARD, RICHARD C.
Nongard, Showers & Murray, Chicago
NOONAN, Jr., WILLIAM A.
Continental Illinois National Bank, Chicago
NORRIS, EDGAR M.*
Edgar M. Norris & Co., Greenville
NORTH, FRANK W.*
Barret, Fitch, North & Co., Kansas City
NOYES, BLANCKE*
Hemphill, Noyes & Co., New York
NUGENT, JOSEPH C.
Mabon & Co., New York
O'BRIEN, HARRY C.
W. E. Hutton & Co., Cincinnati
O'CONNELL, HOMER J.
Blair & Co., New York
O'HARA, WALTER T.
Thomson & McKinnon, New York
O'KEEF, ROBERT H.*
The Marshall Company, Milwaukee
O'LEARY, EDMUND G.
Eastman Dillon, Union Securities & Co., New York
OLLMAN, CARL H.
Dean Witter & Co., Chicago
O'NEIL, C. RODERICK
H. M. Byllesby & Co., Chicago
ORR, JOHN C.
The Wall Street Journal, New York
O'ROURKE, Jr., T. NELSON,
T. Nelson O'Rourke, Inc., Daytona Beach
OSTRANDER, WILLIAM L.
The First Boston Corporation, Chicago
OTIS, C. BARRON*
The Bond Buyer, New York
OTTENS, JUSTIN T.*
Salomon Brothers & Hutzler, New York
PACKARD, DAVID C.
John C. Legg & Co., New York
PAIDAR, LEONARD J.*
Goodbody & Co., Chicago
PARCELLS, Jr., CHARLES A.*
Charles A. Parcells & Co., Detroit
PARKER, NATHAN K.
Kay, Richards & Co., Pittsburgh
PARKER, R. BURTON
Kay, Richards & Co., Pittsburgh
PARRY, SIDNEY L.*
De Coppet & Doremus, New York
PARSONS, Jr., JOHN G.
Fidelity-Philadelphia Trust Company, Philadelphia

PATRICK, ARTHUR
The Economist, Miami
PATTBERG, Jr., EMIL J.*
The First Boston Corporation, New York
PATTERSON, DONALD C.*
Chemical Bank New York Trust Co., New York
PATTERSON, EDWARD
Allen & Co., New York
PAYNE, CARR
Cumberland Securities Corporation, Nashville
PECK, ANDREW F.*
Clark, Dodge & Co., New York
PELIKAN, MILES
John Nuveen & Co., New York
PENDERGRAST, THOMAS J.
Courts & Co., Atlanta
PERKINS, JOHN H.
Continental Illinois National Bank, Chicago
PERSHING, F. W.*
Pershing & Co., New York

PETERS, GERALD P.
Peters, Writer & Christensen, Denver
PETERSEN, Jr., JOSEPH G.*
Joseph G. Petersen & Co., St. Louis
PETERSON, ROYAL E.
J. R. Williston & Beane, New York
PETITO, FRANK A.
Morgan Stanley & Co., New York
PEVEAR, WILLIAM W.*
Irving Trust Company, New York
PEYSER BENJAMIN F.
Newburger, Loeb & Co., New York
PEYSER, Jr., FREDERICK M.
Hallgarten & Co., New York
PFEFER, DELMONT K.*
First National City Bank, New York
PHILIP, PETER V. N.*
W. H. Morton & Co., New York
PHILLIPS, T. WARD*
Central National Bank, Des Moines

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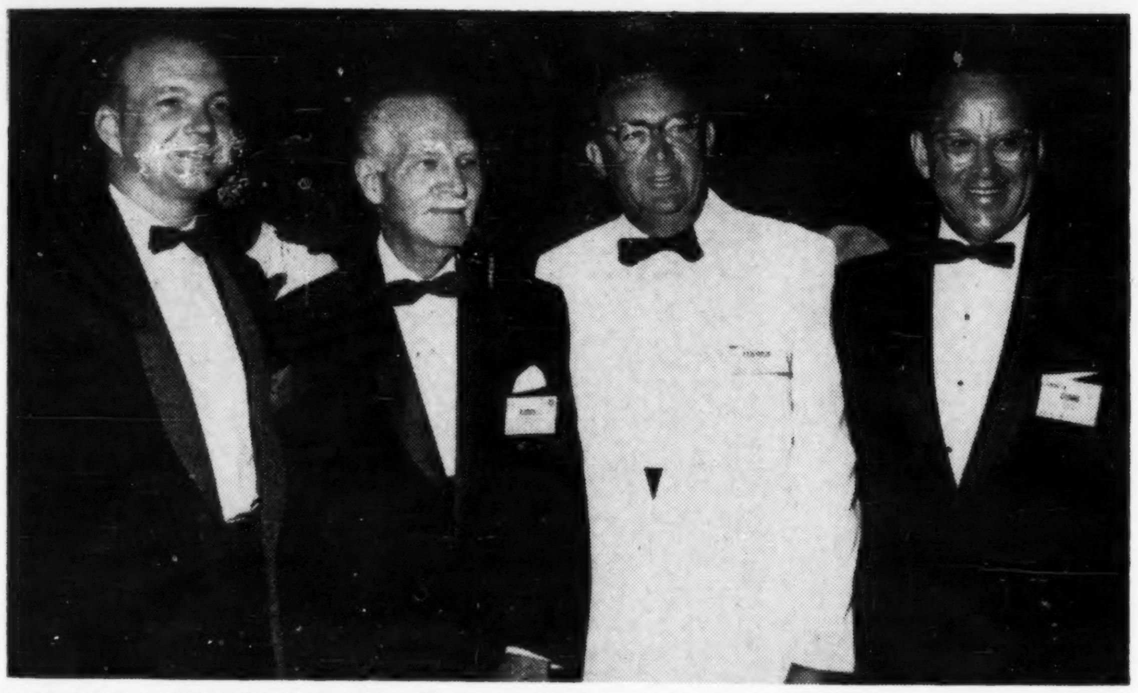

John Krause, *Reinholdt & Gardner*, St. Louis; F. D. Farrell, *City National Bank*, Kansas City, Mo.; James F. Colthup, *Freeman & Co.*, New York; Stewart A. Dunn, *C. J. Devine & Co.*, New York

Mr. & Mrs. Miles Watkins, *Stubbs, Smith & Lombardo*, Birmingham, Ala.; Mr. & Mrs. Wallace Johnson, *David A. Noyes & Co.*, Chicago

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PICO, DR. RAFAEL
Government Development Bank for Puerto Rico, New York
PIERCE, CHARLES C.*
Rauscher, Pierce & Co., Dallas
PINKERTON, BLEDSOE C.
J. C. Bradford & Co., New York
PLATT, CHARLES M.
U. S. News & World Report, Washington
PODESTA, ROBERT A.*
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First National Bank, Oklahoma City
PORTER, Jr., JOHN L.
Television Shares Management Corp., Chicago
POU, CARLOS J.*
Banco Credito Y Ahorro Ponceno, Ponce, Puerto Rico
POUSCHINE, IVAN
Winslow, Cohu & Stetson, Miami
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Boettcher & Co., Denver
POWELL, Jr., ROBERT J.
Powell, Kistler & Co., Fayetteville
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R. S. Dickson & Co., Charlotte
PRATT, MARSOM B.*
Estabrook & Co., Boston
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PRUDDEN, RUSSELL F.
Prudden's Digest, New York
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QUINN, ARTHUR P.*
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QUIST, LEO L.
Harold E. Wood & Co., St. Paul
RADEMAKER, HENRY A.
Equitable Securities Corp., New York
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RAND, Jr., ARTHUR H.*
Woodard-Elwood & Co., Minneapolis
RAND, THORBURN*
Rand & Co., New York
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Goldman, Sachs & Co., Philadelphia

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RAY, THOMAS L.*
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REDMAN, W. GUY
A. G. Edwards & Sons, St. Louis
REDWOOD, Jr., JOHN*
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Newhard, Cook & Co., St. Louis
REFSNES, JOSEPH E.
Refsnes, Ely, Beck & Co., Phoenix
REIF, LEO
Arthur Wiesenberger & Co., New York
REILLY, F. VINCENT
Commercial & Financial Chronicle, New York
REILLY, JAMES F.
Goodbody & Co., New York
REISSNER, FRANK L.*
Indianapolis Bond & Share Corporation, Indianapolis
RENDIGS, Jr., CHARLES W.
Bache & Co., New York
RENNAU, JOHN W.
Carl M. Loeb, Rhoades & Co., New York
REPP, HERBERT N.
Discount Corporation, New York
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Harris Trust & Savings Bank, Chicago
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Birr & Co., San Francisco
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Butcher & Sherrerd, Philadelphia
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Union-Tribune, San Diego
RIVEL, ROBERT B.
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Anderson & Strudwick, Richmond
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Hornblower & Weeks, Denver
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ROGERS, DONALD I.*
New York Herald Tribune, New York
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John C. Legg & Co., Baltimore
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McMaster Hutchinson & Co., Chicago
ROLLAND, LOUIS J.
Financial World, New York
RONAN, FRANK J.
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ROOSEVELT, JOHN
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ROOSEVELT, JULIAN K.*
Dick & Merle-Smith, New York
ROSE, ARTHUR M.
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ROSE, MIDDLETON
Laird, Bissell & Meeds, New York
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Burnham & Co., New York
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Asiel & Co., New York
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ROSSANT, M. J.
Business Week, New York
ROUSE, ROBERT G.
Federal Reserve Bank, New York
ROWE, ROBERT G.*
Stroud & Co., Philadelphia
ROWLES, RUSSELL R.*
Rowles, Winston & Co., Houston
RUNDLE, DONALD G.
Saunders, Stiver & Co., Cleveland
RUSSELL, JAMES
Miami Herald, Miami
RUSSELL, JAMES A.
Van Alstyne, Noel & Co., New York
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Hayden, Miller & Co., Cleveland
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Glore, Forgan & Co., New York
RUSSELL, RENOUF
F. S. Moseley & Co., Boston
RUSSELL, STANLEY A.
Blyth & Co., Philadelphia
RUTHERFORD, GEORGE P.*
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Smith, Barney & Co., New York
RYAN, JAMES J.*
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Sanders & Co., Dallas
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SAPP, ALLEN D.
Schmidt, Roberts & Parke, Philadelphia
SATTERTHWAITE, Jr., J. SHEAFE
Granbery, Marache & Co., New York
SCHAFER, GEORGE E.
Brown Bros. Harriman & Co., New York
SCHALLER, ROBERT M.
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SCHANCK, Jr., FRANCIS R.*
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SCHAPIRO, MORRIS A.*
M. A. Schapiro & Co., New York
SCHIMPFF, CHARLES H.*
Investment Company Institute, Los Angeles
SCHLOSS, PHILIP M.
Joseph, Mellen & Miller, Cleveland
SCHMELZLE, RICHARD A.*
Fusz-Schmelzle & Co., St. Louis
SCHMIDT, Jr., LOUIS H.
Evans & Co., New York
SCHMIDT, WALTER A.
Schmidt, Roberts & Parke, Philadelphia
SCHOENEBERGER, CHARLES A.
National Boulevard Bank, Chicago
SCHREDER, HAROLD X.*
Distributors Group, Inc., New York
SCHROEDER, FRANKIN L.*
Braun, Bosworth & Co., Toledo
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Chiles-Schutz Co., Omaha
SCHWABACHER, Jr., ALBERT E.
Schwabacher & Co., San Francisco
SCHWARTZ, ALEXANDER C.
Lehman Brothers, New York
SCHWEPPE, Jr., HARRY N.
Mercantile Trust Company, St. Louis
SCHWINN, LESLIE B.
L. B. Schwinn & Co., Cleveland
SCOTT, S. BUFORD
Scott & Stringfellow, Richmond
SCULLY, GEORGE G.
The Ohio Company, Columbus
SEBEL, HARRY L.*
Selected Investments Co., Chicago
SEDER, JACK W.
Merrill Lynch, Pierce, Fenner & Smith, New York
SEDLEY, MRS. ELINORE
The Bankers Bond Co., Louisville
SEIBERT, CLAUDE D.*
Commercial & Financial Chronicle, New York
SEIDLER, ALEX*
National State Bank, Newark
SELLEW, Jr., WILLIAM W.
J. R. Williston & Beane, New York

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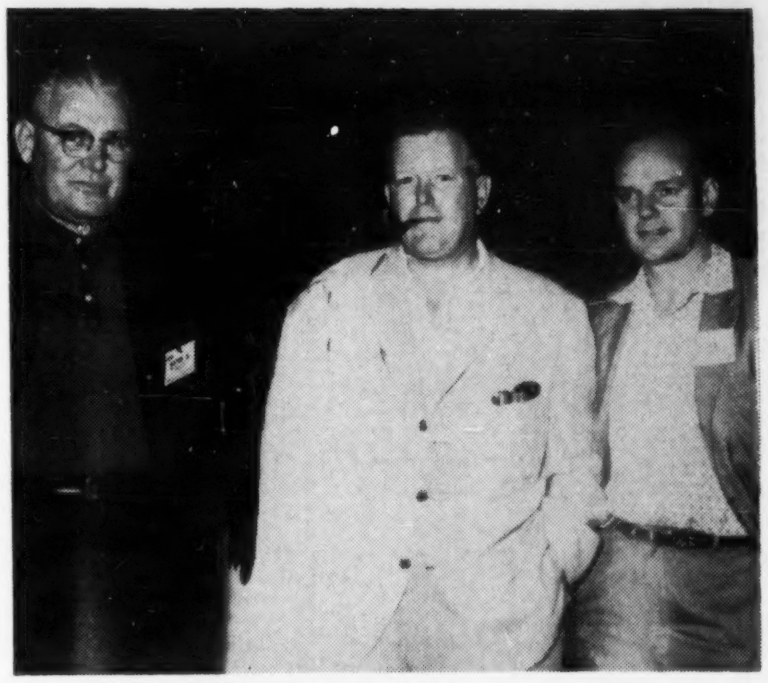
Mr. & Mrs. Robert Wehrheim, *Philadelphia National Bank*, Philadelphia; Frederick T. Seving, *Butcher & Sherrerd*, Philadelphia

Milton S. Emrich, *Julien Collins & Company*, Chicago; Claudine Seibert, New York; Edward D. McGrew, *Northern Trust Company*, Chicago



Gilbert Hattier, *Hattier & Sanford*, New Orleans; John W. Allyn, *A. C. Allyn & Co.*, Chicago; William P. Brown, *Baker, Simonds & Co., Inc.*, Detroit

SENER, JOSEPH W.
John C. Legg & Co., Baltimore
SENHOLZI, JOHN C.
The Chase Manhattan Bank, New York
SEVING, FREDERICK T.*
Butcher & Sherrerd, Philadelphia
SEWARD, C. CARROLL
Yarnall, Biddle & Co., Philadelphia
SHANKS, WILLIAM S.*
The Bond Buyer, New York
SHAPIRO, ROBERT F.
Lehman Brothers, New York
SHAPIRO, SUMNER
Yates, Heitner & Woods, St. Louis
SHAPLEIGH, II, A. LEE*
Smith, Moore & Co., St. Louis
SHAW, LEO G.
Ladenburg, Thalmann & Co., New York

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SHAEFFER, THEODORE C.
Janney, Battles & E. W. Clark, Philadelphia
SHEEHAN, JAMES L.*
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SHEILS, JAMES H.
Gregory & Sons, New York
SHELTON, LOCKETT*
Republic National Bank, Dallas
SHEPARD, ROBERT O.
Prescott & Co., Cleveland
SHERBURNE, HAROLD H.
Bacon, Whipple & Co., New York
SHERRILL, H. VIRGIL*
Shields & Co., New York
SHIELDS, Jr., CORNELIUS
Shields & Co., New York
SHOLLEY, S. L.*
The Keystone Company, Boston
SIEFERT, RUSSELL E*
Stern Brothers & Co., Kansas City

SIMON, WILLIAM E.*
Weeden & Co., New York
SIMONSON, Jr., HENRY J.*
National Securities & Research Corp., New York
SIMPSON, Jr., F. BRADFORD
Hallgarten & Co., New York
SIMPSON, WILLIAM G.*
Simpson, Emery & Co., Pittsburgh
SIPP, Jr., PAUL L.*
Stern, Lauer & Co., New York
SLACK, WILLIAM E.
Bioren & Co., Philadelphia
SLEVIN, JOSEPH R.
New York Herald Tribune, Washington
SMEAL, FRANK P.
Morgan Guaranty Trust Company, New York
SMITH, CHARLES V.
Clark, Dodge & Co., New York
SMITH, JOSEPH E.
Newburger & Co., Philadelphia
SMITH, J. RAYMOND
Weeden & Co., New York
SMITH, MARK A.
F. W. Craigie & Co., Richmond
SMITH, RICHARD A.
Filor, Bullard & Smyth, New York
SMITH, ROBERT H.
Faulkner, Dawkins & Sullivan, New York
SMITH, WALTER J. J.*
National Securities & Research Corp., New York
SMUTNEY, RUDOLF
R. W. Pressprich & Co., New York
SNYDER, HARRY B.
Yarnall, Biddle & Co., Philadelphia
SNYDER, JAMES E.
A. C. Allyn & Co., Chicago
SORENSEN, WALTER M.
Rotan, Mosle & Co., Houston
SPADE, WAYNE M.
Watling, Lerchen & Co., Detroit
SPEAR, GEORGE R.
The First Boston Corporation, Boston
STACK, PRATHER
Bankers Trust Company, New York
STAFFORD, JOHN H.*
Lee Higginson Corporation, New York
STAPLES, JACK R.
Fulton, Reid & Co., Cleveland
STARRING, Jr., MASON B.
A. C. Allyn & Co., New York
STARRIN, III, MASON B.
Dominick & Dominick, New York
STAUNTON, SIDNEY A.*
Laird & Co., New York
STEARNS, GEORGE R.*
The Economist, Chicago
STEARNS, PHILIP M.
Oscar E. Dooly & Co., Miami
STEELE, E. BLAINE
H. J. Steele & Co., Pittsburgh
STEFFENS, CHARLES T.
The First Boston Corporation, New York
STENSON JAMES
Continental Illinois National Bank, New York
STEPHAN, FRANCIS J.
Vilas & Hickey, New York
STEPHENS, JACK T.
Stephens, Inc., Little Rock
STEPHENS, J. F.
Texas Fund Management Company, Houston
STEPHENSON, EDWIN A.
Paribas Corporation, New York
STEVENS, WILLIAM A.
J. C. Wheat & Co., Richmond
STEVENSON, G. C.*
Bacon, Stevenson & Co., New York
STEVENSON, JOHN B.
Hayden, Stone & Co., New York
STEVENSON, III, ROBERT
Investment Bankers Association, Washington
STEVENSON, STUART D.
Bankers Trust Company, New York
STEWART, NORMAN W.*
F. S. Smithers & Co., New York
STEWART, ROBERT M.
Moore, Leonard & Lynch, Pittsburgh
STOCKBRIDGE, FRANKLIN*
Security First National Bank, Los Angeles
STODDARD, DONALD A.*
Morgan Guaranty Trust Company, New York
STOHL, WALTER H.
Fidelity Union Trust Co., Newark
STOLLE, CARL
G. A. Saxton & Co., New York
STONE, Jr., FRED. D.*
Marine Trust Company, New York
STONE, ROBERT W.
Federal Reserve Bank, New York

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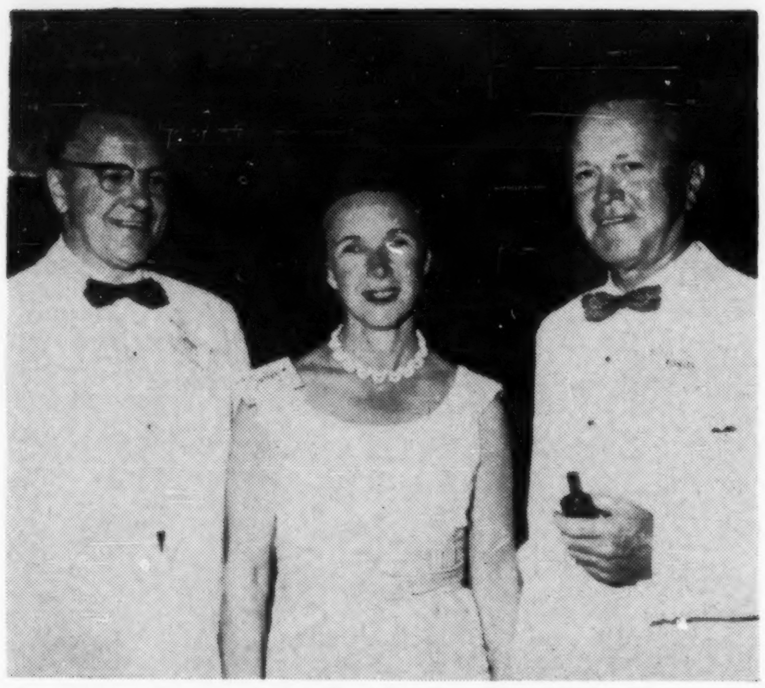
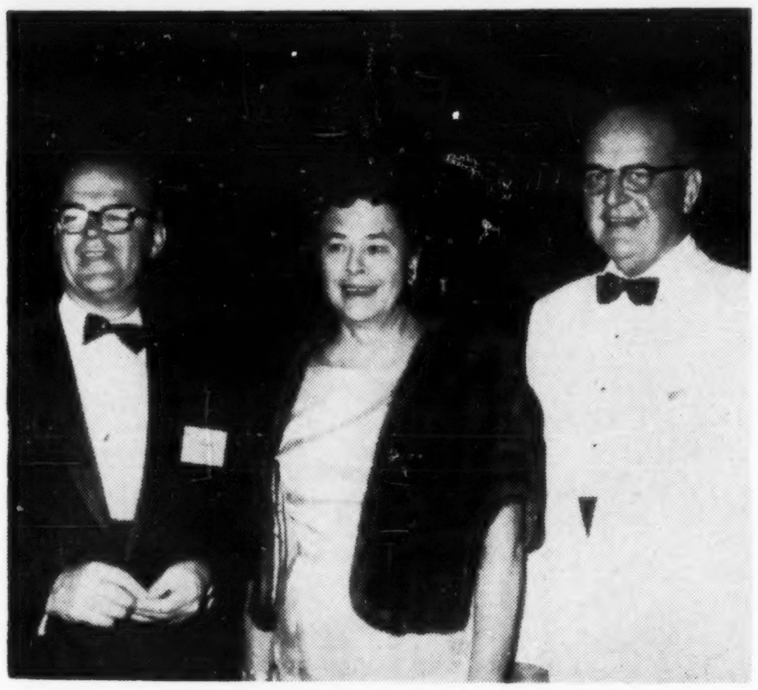
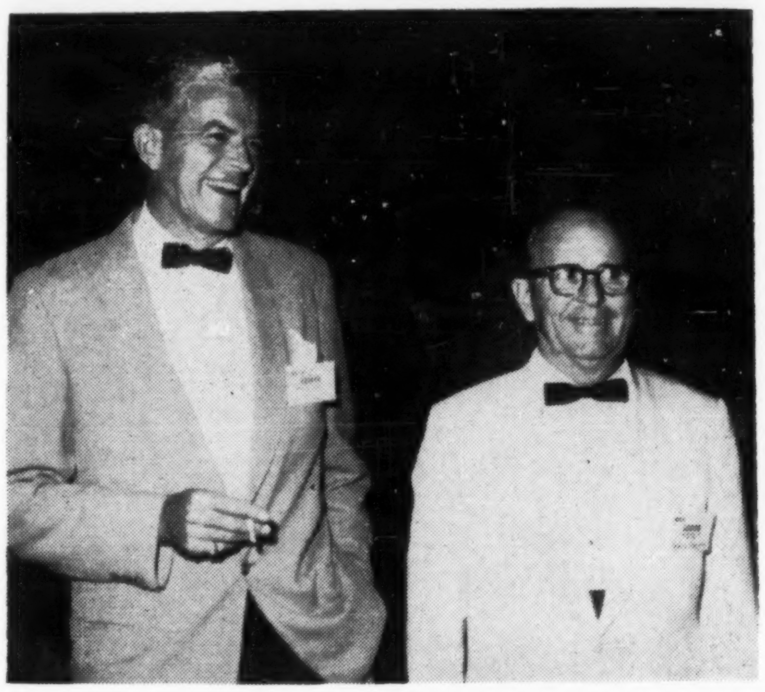


Mr. & Mrs. Russell E. Siefert, *Stern Brothers & Co.*, Kansas City, Mo.; Russell R. Rowles, *Rowles, Winston & Co.*, Houston



James W. Heward, *Butcher & Sherrerd*, Philadelphia; Mr. & Mrs. L. Paul Close, *Rambo, Close & Kerner, Inc.*, Philadelphia



Robert W. Barker, *Irving Trust Company*, New York; John H. Gertler, *Barr Brothers & Co.*, New York

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STOTLER, ROGER G.*
Rowles, Winston & Co., Houston
STOUT, Jr., ANDREW
Dominick & Dominick, New York
STOUT, CHARLES L.
Robert Garrett & Sons, Baltimore
STRAUS, FREDERICK W.*
Straus, Blosser & McDowell, Chicago
STRONG, NEWBOLD
DeHaven & Townsend, Crouter & Bodine, Philadelphia
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Kidder, Peabody & Co., Chicago
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Odess, Martin, Sellers, Doe & Bonham, Birmingham
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Sweney, Cartwright & Co., Columbus
SWICK, THEODORE P.
White, Weld & Co., New York
SWORD, WILLIAM H.
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SYMINGTON, Jr., CHARLES H.*
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THORS, JAY EMERSON
Asiel & Co., New York
THORS, J. EMERSON*
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TIMPSON, Jr., CARL W.,
Morgan Guaranty Trust Company, New York
TODD, WILLIAM H.*
Kuhn, Loeb & Co., New York
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Thomas & Co., Pittsburgh
TORREY, GEORGE R.
McCormick & Co., Chicago
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C. E. Unterberg, Towbin Co., New York

TOWNSEND, WILLIAM H. P.
Janney, Battles & E. W. Clark, Philadelphia
TRAINOR, COLEMAN E.
Peoples National Bank, Charlottesville
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A. E. Masten & Co., Pittsburgh
TREUHOLD, CHARLES R.*
Paribas Corporation, New York
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Stein Bros. & Boyce, Louisville
TROSTER, OLIVER J.
Troster, Singer & Co., New York
TSOLAINOS, K. P.*
Baker, Weeks & Co., New York
TURNER, JOHN W.
Eppler, Guerin & Turner, Dallas
TURNER, ROY
Stephens, Inc., Little Rock
TYLER, Jr., CHARLES L.*
New York Herald Tribune, New York
UHL, PAUL E.
United California Bank, Los Angeles
UNDERHILL, ARTHUR J. C.
Arthur Wiesenberger & Co., New York
VALENTINE, II, HENRY LEE
Davenport & Co., Richmond
VANDERNOOT, JOSEPH F.*
R. W. Pressprich & Co., New York
VAN INGEN, Jr., BERNARD J.
B. J. Van Ingen & Co., New York
VAN LEER, Jr., WILLIAM L.
H. C. Wainwright & Co., New York
VEIT, PETER R.
Hannahs, Ballin & Lee, New York
VIALE, CHESTER W.*
L. F. Rothschild & Co., New York
VIVIAN, RICHARD C.
Dean Witter & Co., New York
VOSTAL, JOSEPH
Kidder, Peabody & Co., New York
WADE, GEORGE S.*
Stranahan, Harris & Co., Toledo
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Dillon, Read & Co., New York
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Parker, Eisen, Waeckerle, Adams & Purcell, Kansas City
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Dempsey-Tegeler & Co., New York
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Value Line Fund Distributors, New York
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Zilka, Smither & Co., Portland
WATTERSON, WILLIAM H.
Fahey, Clark & Co., Cleveland
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Weeden & Co., New York
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White, Weld & Co., New York
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Philadelphia National Bank, Philadelphia
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Winslow, Cohu & Stetson, New York
WEINTRAUB, ALLAN
Bear, Stearns & Co., New York
WEINTRAUB, ALLEN
Newburger & Co., Philadelphia
WEITZEL, PETE
Miami Herald, Miami
WENDT, GEORGE B.*
The First National Bank, Chicago
WERLY, CHARLES M.*
Putnam Fund Distributors, Boston
WERNER, CHARLES S.
Shearson, Hammill & Co., Chicago
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Howard, Weil, Labouisse, Friedrichs & Co., New Orleans
WESTON, LEWIS M.
Goldman, Sachs & Co., New York
WESTPHAL, HARRY L.*
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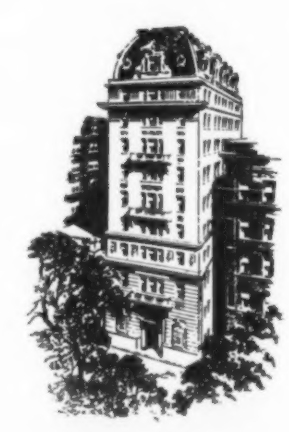
WHITE, EDWARD A.
White & Co., St. Louis
WHITE, KELTON E.*
G. H. Walker & Co., St. Louis

WHITE, ROBERT F.*
Craig-Hallum, Kinnard, Inc., Minneapolis
WHITESIDE, THOMAS
Chace, Whiteside & Winslow, Boston
WHITLOCK, DANIEL P.*
Ladenburg, Thalmann & Co., New York
WHITNEY, II, JACK M.
Securities & Exchange Commission, Washington
WHITNEY, Jr., LEWIS J.
Dempsey-Tegeler & Co., Los Angeles
WHITNEY, Jr., WHEELOCK*
J. M. Dain & Co., Minneapolis
WIDENMANN, HANS A.
Carl M. Loeb, Rhoades & Co., New York
WILBUR, LeROY A.
Stein Bros. & Boyce, Baltimore
WILBUR, Jr., LeROY A.
Stein Bros. & Boyce, Baltimore
WILDE, BERTRAM M.
Janney, Battles & E. W. Clark, Philadelphia
WILDMAN, DEAN E.
John A. Kemper & Co., Indianapolis
WILLEMS, HENRY F.
Hornblower & Weeks, New York
WILLIAMS, A. DUNCAN
The First National Bank, Memphis

WILLIAMS, C. VINCENT
S. D. Fuller & Co., New York
WILLIAMS, WARREN D.*
Hannaford & Talbot, San Francisco
WILSON, FRANK
Barrons Publishing Co., New York
WILSON, HARVEY WRIGHT
Model, Roland & Stone, New York
WILSON, JAMES G.*
Second District Securities Co., New York
WILSON, LYLE F.*
Pacific Northwest Company, Seattle
WINKHAUS, Jr., JOHN T.*
Carlisle & Jacquelin, New York
WINSLOW, PETER L.
Townsend, Dabney & Tyson, Boston
WINSLOW, SAMUEL R.*
Winslow, Cohu & Stetson, New York
WINSOR, JOHN R.*
Harris, Upham & Co., Minneapolis
WITHERS, Jr., P. T.
R. S. Dickson & Co., Charlotte
WITTER, WENDELL W.*
Dean Witter & Co., San Francisco
WITTER, WILLIAM M.
Dean Witter & Co., Chicago
WOHLFORTH, ROBERT M.
Hemphill, Noyes & Co., New York



Mr. & Mrs. Mark Davids, *Lester, Ryons & Co.*, Los Angeles; Robert C. Johnson, *Kidder, Peabody & Co.*, New Ycrk

Mr. & Mrs. Delmont K. Pfeffer, *First National City Bank*, New York; John J. Larkin, *First National City Bank*, New York

Theodore A. Gaskell, *Hayden, Miller & Co.*, Cleveland; Paul Uhl, *United California Bank*, Los Angeles

WOLFF, JAMES W.
Zuckerman, Smith & Co., New York
WONHAM, FREDERICK S.*
G. H. Walker & Co., New York
WOODARD, RONALD B.
Raffensperger, Hughes & Co., Indianapolis
WOODMAN, DEAN S.
Merrill Lynch, Pierce, Fenner & Smith Incorporated, New York
WRIGHT, Jr., NORMAN E.
The Northern Trust Company, New York
WRITER, GEORGE S.*
Peters, Writer & Christensen, Denver
WULBERN, EDWARD B.*
Pierce, Carrison, Wulbern, Inc., Jacksonville
WYATT, GERALD
A. E. Masten & Co., Pittsburgh
YEAGER, III, G. THOMAS
Baker, Watts & Co., Baltimore
YOUNG, JOHN D.*
Lee Higginson Corporation, Boston
YOUNG, RICHARD N.*
Kidder, Peabody & Co., Philadelphia
YOWELL, ROY H.
Maritime Adminis'ration, Washington
YUNKER, ROSWELL J.
A. M. Kidder & Co., New York
ZAHNER, VICTOR H.*
Zahner & Co., Kansas City
ZENTZ, BILL*
Investment Bankers Association, Washington
ZEUGNER, ORLAND K.*
Stone & Webster Securities Corporation, New York
ZUCKER, ABRAHAM W.*
Tuller & Zucker, New York
ZUNIC, JOSEPH F.
Thomas & Co., Pittsburgh
ZWAHL, LOUIS J.
Mabon & Co., New York

***Denotes Mr. and Mrs.**

Report of IBA State Legislation Committee

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tate through an association or trust or corporation did not have the same tax advantage as persons who invested in an investment trust which invests in stocks and bonds because the income from real estate investments was taxed twice, once at the corporate level and again when distributed.

Under Public Law 86-779, effective in 1961, real estate investment trusts are taxed in much the same way as regulated investment companies. The trust, if it meets the requirements of the tax law, is exempt from the corporate tax if 90% or more of its otherwise ordinary taxable income is distributed annually to its beneficiaries who will pay ordinary income tax on such distribution. The 90% distribution rule does not include long-term and short-term capital gains which may be retained by the trust for reinvestment in other properties. Any ordinary taxable income retained by the trust in excess of the 90% distribution is subject to the regular corporate income tax. Any capital gains derived by the trust from the sale of any of its properties is taxable to the beneficiaries as capital gain to the extent that such gains are distributed to the beneficiaries.

The *Midwest* Securities Commissioners Association (including Arizona, California, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, New Mexico, North Dakota, Oklahoma, Texas and Wisconsin) adopted a statement of policy regarding registration of securities issued by a real estate investment trust. A copy of that statement of policy as revised through June 21, 1961 is included as APPENDIX D. This statement of policy has caused some practical problems in qualifying securities issued by real estate investment trusts, but it is hoped that further discussions with the securities administrators will clear up the major obstacles.

V
Uniform Act for Simplification of Fiduciary Security Transfers

This act has now been adopted in the following 35 states and the District of Columbia:

Alabama	Nebraska
Arizona	Nevada
California	New Jersey
Colorado	New Mexico
Dist. Columbia	New York
Florida	North Carolina
Georgia	North Dakota
Idaho	Rhode Island
Illinois	South Carolina
Indiana	South Dakota
Kansas	Tennessee
Louisiana	Texas
Maine	Utah
Maryland	Virginia
Michigan	Washington
Minnesota	West Virginia
Mississippi	Wisconsin
Missouri	Wyoming

Particular credit for the work on this act is due the Association of Stock Exchange Firms and the local members of its committees. The key provisions of this act provide that:

(a) A corporation or transfer agent registering a security in the name of a person who is a fiduciary or who is described as a fiduciary is not bound to inquire into the existence, extent, or correct description of the fiduciary relationship, and thereafter the corporation and its transfer agent may assume without inquiry that the newly registered owner continues to be the fiduciary until the corporation or transfer agent receives written notice that the fiduciary is no longer acting as such with respect to the particular security.

(b) The corporation and transfer agent may assume without inquiry that a transfer is within the authority of the fiduciary and is not in breach of fiduciary duty, even though the transfer is to the fiduciary himself or to his nominee. They may assume that the fiduciary has complied with any controlling instrument and with the law, including any law requiring court approval, and they are not charged with notice of court records or other documents even though in their possession.

(c) No person (including a bank or dealer) who participates in the acquisition, disposition, assignment or transfer of a security by or to a fiduciary including a person who guarantees the signature of the fiduciary is liable for participation in any breach of fiduciary duty by reason of failure to inquire whether the transaction involves such a breach unless it is shown that he acted with actual knowledge that the proceeds of the transaction were being or were to be used wrongfully for the individual benefit of the fiduciary or that the transaction was otherwise in breach of duty.

VI
North American Securities Administrators Meeting

The President of the IBA this year urged chairmen of group legislation committees to attend the Annual Meeting of the N.A.S.A. (whose members are the admin-

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St. Louis Room—Relaxing

St. Louis Room—42 years since it started

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istrators of the state blue sky laws) in Seattle. The Chairmen of Legislation Committees of the IBA New York, Northern Ohio and Southeastern Groups, in addition to the Chairman of the Committee and the Assistant General Counsel of the IBA, attended the meeting. We believe that other IBA Groups would find it helpful to have the Chairmen of their Legislation Committees attend this meeting each year in order to understand better the attitude of the securities administrators of different states and to provide informed comment to the administrator on the subject under discussion at their meetings.

Respectfully submitted,

STATE LEGISLATION COMMITTEE

Robert A. Podesta, Chairman
Cruttenden, Podesta & Co.
Chicago, Ill.

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A. C. Allyn & Co.
Miami Beach, Fla.

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Equitable Securities Corporation, Nashville, Tenn.

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Hornblower & Weeks
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William S. Hughes
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Moore, Leonard & Lynch
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McDonald-Moore & Co.
Detroit, Mich.

Sidney J. Mohr, Jr.
Thornton, Mohr, Farish & Gauntt, Inc., Montgomery, Ala.

Frank L. Reissner
The Ohio Company,
Columbus, Ohio

Charles C. Pierce
Rauscher, Pierce & Co., Inc.
Dallas, Texas

Frank L Reissner
Indianapolis Bond and Share Corporation, Indianapolis, Ind.

Malcolm F. Roberts
Hornblower & Weeks
Denver, Colo.

Edmund H. Sears
Estabrook & Co.
Boston, Mass.

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J. Barth & Co.
San Francisco, Calif.

G. Edward Slezak
The Milwaukee Company
Milwaukee, Wis.

James E. Snyder
A. C. Allyn & Co.
Chicago, Ill.

Harry Theis
Stifel, Nicolaus & Company, Incorporated, St. Louis, Mo.

Milton S. Trost
Stein Bros. & Boyce
Louisville, Ky.

Henry L. Valentine II
Davenport & Co.
Richmond, Va.

W. Enos Wetzel
W. E. Wetzel & Co.
Trenton, N. J.

APPENDIX A
Summary of Amendments to Securities Acts of 23 States

ALASKA

The Alaska Securities Act was amended effective April 18, 1961 to add requirements for the registration of non-exempt securities, based on provisions of the Uniform Securities Act, and to make the necessary conforming changes in other sections of the Act. The Alaska Act previously did not require registration of securities.

ARKANSAS

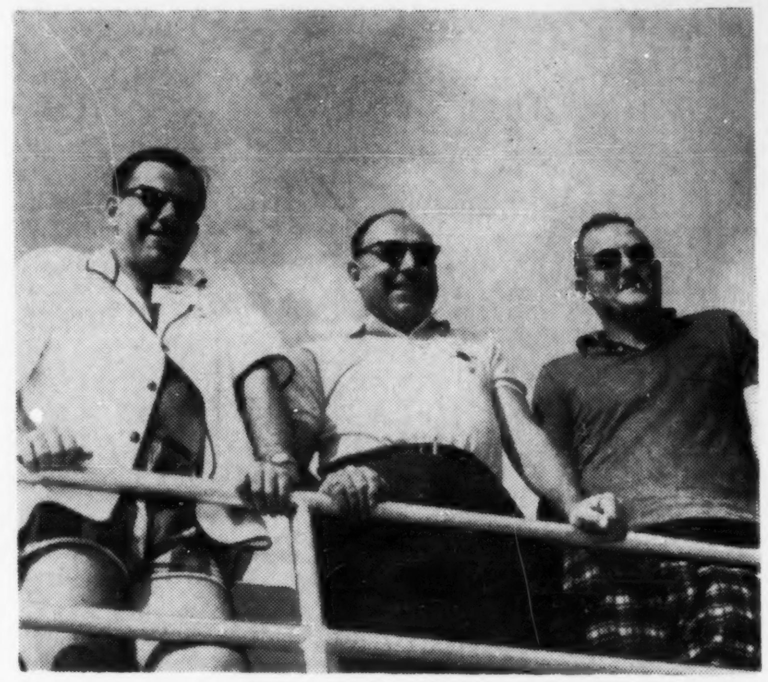
The principal amendments to the Arkansas Securities Act, effective July 1, 1961, were the following:

(1) Section 3, requiring the registration of broker-dealers or agents, was amended by adding a new Subdivision (e) requiring the registration of mortgage loan companies and loan brokers.

(2) Section 4, relating to the registration of broker-dealers and agents, was amended by deleting a provision that registration of a broker-dealer automatically constitutes registration of any agent who is a partner, officer or direc-

Allan Weintraub, *Bear, Stearns & Co.*, New York; Barney Nieman, *Golkin, Bombach & Co.*, New York; Bert Behrens, *Lehman Brothers*, New York

Harry Gassard, *Investment Dealers' Association of Canada*, Toronto; Mrs. Arnold Massey, Toronto; George C. MacDonald, *McLeod, Young, Weir & Co., Ltd.*, Montreal



Edward B. Burr, *William Street Sales, Inc.*, New York; Edward S. Amazeen, *William Street Sales, Inc.*, New York; Richard W. Jones, *Mitchum, Jones & Templeton*, Los Angeles

tor, or a person occupying similar status or performing similar functions.

(3) Section 4(e), which previously required broker-dealers and investment advisers to post corporate surety bonds in the amount of $10,000 and required agents to post bonds in the amount of $5,000 was amended to authorize the Commissioner to accept a blanket type surety bond for dealers and agents under a scale specified in the law. Exempt from the surety bond requirement are broker-dealers dealing exclusively in municipal or government securities, and broker-dealers registered with the SEC who are also members of the NASD, or their agents registered with the NASD.

(4) Subsection 5(d), authorizing examination of the records of issuers, broker-dealers and investment advisers, was amended to provide that the applicant, issuer, broker-dealer or investment adviser shall pay a fee for each such examination not to exceed $25 per day or fraction thereof, that any and all examiners are to be absent from the capitol building for the purpose of making such examinations, and in addition thereto shall pay the actual hotel and traveling expenses of such authorized examiner from Little Rock and return.

(5) Subdivision (C) of Section 6(a), regarding denial suspension or revocation of registration of broker-dealers and investment advisers, was amended to include as a ground for such action that a person "has pending against him a charge of unlawful conduct involving securities or any aspect of the securities business."

6) Subdivision (6) of Section 6(b), regarding written examinations by applicants for registration as an agent, broker-dealer or investment adviser, was amended to provide (i) each agent taking such examination is required to pay a fee of $5 for each examination and (ii) that the exemption from examination for certain persons shall not exempt them from such part of the examination as relates to the securities act.

(7) Subdivision (7) was added to Section 6(b) to provide that any issuer, unless exempted by Section 14 of the act, seeking to act or acting as a broker-dealer in its own behalf in the sale of its own securities must comply with the examination requirement, and that a single officer who shall have direct supervision of the sale of the securities shall represent the issuer for the purpose of satisfying the written examination requirement.

(8) Section 11(i), relating to the effective period of registration of securities and renewal of registration, was amended to provide that (i) a registration shall continue effective only for a period of 12 months unless sooner terminated and (ii) renewal registrations for 12-month periods may be issued upon written application and upon payment of fees provided for original registration, even though the maximum fee was paid the preceding period. Also Section 11(j) was amended to require a filing fee of $5 with each report filed to keep current information contained in the registration statement and to disclose the progress of the offering.

(9) Section 13(1), defining "security," was amended to include "variable annuity contract" within the definition. Also the previous Subdivision (5) of Section 14(a), exempting any security issued by and representing an interest in or a debt of an insurance company, was deleted.

(10) Subsections (e) and (f) were added to Section 14 to provide that before any security may be issued as an exempted security under Subdivisions (3), (4), (5), (6), (8) or (10) of Section 14(a) and before any transaction shall be executed as an exempted transaction under Subdivisions (2), (9), (10), (11) or (12) of Section 14(b), a proof of exemption must be filed with the Commissioner, containing a statement of the grounds upon which the exemption is claimed and a declaration of the subdivision under which the exemption is claimed, with a filing fee of $10 for every such proof of exemption filed with the Commissioner.

(11) Section 21, relating to criminal penalties, was amended (i) to cover willful violations of any rule or order under the act and (ii) to declare that persons who willfully violate the act shall be guilty of a felony.

COLORADO

Colorado adopted a complete new securities act effective July 1, 1961 based on the Uniform Securities Act, with modifications.

CONNECTICUT

The Connecticut Securities Act was amended effective October 1, 1961 (a) to authorize the bank commissioner to make, amend and rescind such regulations as are necessary to carry out the provisions of the Connecticut Securities Act and (b) compiling into one section provisions relating to denial, suspension or cancellation of registration of any broker, dealer, salesman, investment counsellor or investment counsel agent.

FLORIDA

The principal amendments to the Florida Securities Act were as follows:

(1) Subdivision (9) of Section 517.05, exempting negotiable promissory notes or commercial paper was repealed.

(2) Subdivision (5) of Section 517.06, exempting the sale, trans-

Continued on page 126

Richard W. Grimm, *Government Development Bank for Puerto Rico*, New York; Norman L. Macy, *First Boston Corporation*, New York

Sydney Duffy, *Blyth & Co., Inc.*, New York; Mr. & Mrs. E. B. de Selding, *Spencer Trask & Co.*, New York

Frank Ronan, *New York Hanseatic Corporation*, New York; Kurt Grunebaum, *New York Hanseatic Corporation*, New York

Continued from page 125

fer or delivery of securities to a bank, savings institution, trust company, insurance company, corporation or to a broker or dealer "by the issuer of such securities or by the duly authorized representative of such issuer," was amended to include a pension plan among those to whom exempt sales may be made and to eliminate the provision which limited the exemption to sales by the issuer or the representative of the issuer.

(3) Subdivision (7) of Section 517.06, exempting bonds or notes secured by mortgage upon real estate or tangible personal property where the entire mortgage together with all the bonds and notes secured thereby are sold to a single purchaser at a single sale, was amended by adding the following proviso:

"provided, however, that such bonds or notes are not offered for sale in connection with an express recourse agreement or guarantee as to the repayment of principal or interest, or both; provided further that such bonds or notes shall be exempt if they are fully insured by an insurance company authorized to do business in this state under chapter 635, Florida Statutes, or insured or guaranteed by an agency of the federal government."

(4) Section 517.08 (relating to registration by notification) was amended (a) to eliminate Subdivision (g) which authorized registration by notification for bonds or notes secured by a first lien or privileged collateral and (b) to eliminate Subdivision (h) which authorized the commissioner to receive registration by notification of securities which are substantially of the same quality and description as one or more of the specified classes.

(5) A new section was adopted to provide that if a person simultaneously holds a securities license and a life insurance license, he shall prepare and leave with each prospective buyer a written proposal, on or before delivery of any investment plan. Investment plan shall mean a mutual funds program, and the proposal shall consist of a prospectus describing the investment feature and the full illustration of any life insurance feature. The proposal shall be prepared in duplicate, dated and signed by the licensee. The original shall be left with the prospect and the duplicate retained by the licensee for a period of not less than three years of, in lieu of a duplicate-copy a receipt for standardized proposals filed with the commissioner may be obtained and held by the licensee.

GEORGIA

Section 6(j) of the Georgia Securities Act (exempting the sale of securities not involving an underwriting to not in excess of 25 persons provided such securities are purchased for investment), was amended effective April 5, 1961 to provide that, in addition to the required affidavit signed by each proposed purchaser stating his intent to purchase for investment, the commissioner is authorized to require from the issuer and affiant such additional information as he deems necessary relative to such securities and the sale thereof.

INDIANA

Indiana adopted a complete new securities act effective July 1, 1961 based on the Uniform Securities Act, with modifications.

KANSAS

Section 17-1252 of the Kansas Securities Act (definitions) was amended by including in Subsection (j) defining security, "thrift certificates or investment certificates or thrift notes issued by investment companies"; by adding as Subsection (l) a definition of "investment company"; and by adding as Subsection (m) a definition of "investment certificate."

MAINE

The Maine Securities Act was amended effective 90 days after adjournment of the Legislature by inserting a new section 241-a providing for the creation of an advisory committee.

MICHIGAN

The Michigan Securities Act was amended effective Sept. 8, 1961 as follows:

(1) Subdivision (n) of Section 451.105 (exempt transactions) was amended by adding the underlined language to read as follows:

"(n) The offering and sale by an issuer of its securities pro rata to its stockholders, and the subsequent offering and sale within 3 months after such offer of any unsubscribed portion of such securities to 1 or more stockholders upon terms not less favorable to the issuer than the previous offering, *the issuance and trading of subscription rights issued in connection with the foregoing, and the sale of securities to the holders of such rights in the exercise thereof.* Exemptions under this subsection shall be subject to such conditions and prohibitions as the Commissioner may impose by regulation for the protection of investors."

(2) A new Subdivision (o) was added to Sec. 451.105 to exempt:

"(o) The sale of securities as contemplated under the Act of Congress entitled the 'Small Business Investment Act of 1958,' approved Aug. 21, 1958, where such sale consists of (1) the sale of securities to the Federal Small Business Administration, or (2) the sale of securities by a small business concern to a small business investment company or to a development company for equity capital provided or loans made, or (3) the sale of securities by a small business investment company to a small business concern as a condition to providing the latter with equity capital or loans."

MISSOURI

Section 409.050 (exempt transactions of the Missouri Securities Act was amended effective Oct. 13, 1961 by inserting a new Subsection 12 to exempt, with specified exceptions, secondary market sales by registered dealers of securities about which specified information is available in a recognized securities manual.

MONTANA

Montana adopted a complete new securities act effective July 1, 1961 based on the Uniform Securities Act, with modifications.

NEW MEXICO

The New Mexico Securities Act was amended effective March 3, 1961 to provide that the difinitions and provisions relating to securities of an investment fund contained in Section 10 of the act

Mr. & Mrs. P. Fred Fox, *P. F. Fox & Co.*, New York

George Le Vind, *Blyth & Co., Inc.*, New York; Leo L. Quist, *Harold E. Wood & Company*, St. Paul, Minn.; Robert G. Rowe, *Stroud & Company, Incorporated*, Philadelphia

John de Milhau, *Chase Manhattan Bank*, New York; Mr. & Mrs. Andrew K. Marckwald, *Discount Corporation of New York*, New York

shall not apply to the securities of a small business investment company, but the securities of such companies shall be registered with the commissioner of securities by qualification, coordination or notification, whichever is applicable

NEW YORK

Section 35, 102-4(2) of the New York Law relating to real estate investment trusts, was amended effective May 1, 1961 by adding a provision that no offer advertisement or sale of such securities shall be made in or from the State of New York until the attorney general has issued to the issuer or to the offerer a letter stating that the offering has been filed and that the attorney general not later than 15 days after such filing, shall issue such a letter or, in the alternative, a notification in writing indicating deficiencies in the offering statement or prospectus.

NEVADA

Although Nevada has no state securities act, sections of the Building and Loan Association Law require the licensing of investment companies registered under the federal Investment Company Act of 1940. Amendments to Section 673.260 effective April 8, 1961 (a) impose a license fee of $100 for each branch office and (b) provide that if the commissioner finds that moneys in the savings and loan fund will be insufficient for operation of the department he may annually levy and collect an assessment from each company, the total of which shall not exceed 35c per $1,000 of gross assets as of Dec. 31 of each year, the assessment to be prorated among such companies on the basis of their gross assets.

NORTH DAKOTA

The principal amendments to the North Dakota Securities Act were as follows:

(1) Section 10-04-04, making it unlawful to sell nonexempt securities unless they are registered in the state, was amended to make it also unlawful to "offer for sale." Section 10-04-08.2 (requiring the filing of advertising matter regarding registered securities) was amended to include a provision that nothing in that section or in Section 10-04-04 shall be construed to prohibit the publication or distribution to the public of preliminary prospectuses or preliminary summary prospectuses under the Securities Act of 1933, provided no solicitation is made or order or conditional order accepted prior to registration in the state, and provided a specified legend appears on each such prospectus.

(2) Subdivision (3) of Section 10-04-05, exempting policy contracts of an insurance company subject to supervision by an agency of the state of North Dakota, was amended to exempt also variable or fixed annuity contracts of such companies.

(3) A new Subsection (12) was added to Section 10-04-05 to exempt unsolicited agency transactions by a registered dealer, provided such dealer delivers to the purchaser written confirmation of the order which clearly identifies the commissions paid to the registered dealer.

(4) Subdivision (8) of Section 10-04-06 (exempting secondary market transactions by registered dealers in securities about which specified information is available in a manual) was amended by adding paragraph (f) that the exemption shall not apply to securities of open-end management companies, mutual funds, unit investment trusts, contractual plans and face amount certificate companies.

(5) Subdivision (9) of Section 10-04-06 (exempting pre-incorporation subscriptions if certain conditions are met) was amended by adding a proviso that no money shall be received by the solicitor prior to incorporation or registration of said securities with the Commissioner.

(6) A new Section 104-04-07.1 was inserted to authorize registration by "announcement" for securities which have been outstanding in the hands of the public for not less than one year as the result of prior original registration in North Dakota or through S.E.C. registration. Registration by announcement may be made by registered dealers, and becomes effective automatically 48 hours after filing unless advised to the contrary or advised to furnish additional information and requires a $10 fee.

(7) Section 10-04-08 (relating to fees) was amended by adding a new subsection (b) regarding registration fees for open-end management companies, mutual funds, investment trusts, unit investment trusts, contractual plans and face amount certificates.

(8) Section 10-04-10 (regarding the registration of dealers, salesmen and investment counselors) was amended by adding a section providing that the commissioner shall require as a condition of registration that the applicant and, in the case of a corporation or partnership, all officers or directors of the partners doing securities business in the state, pass a written examination as evidence of knowledge of the securities business. All salesmen currently registered on June 30, 1961 who have been continuously registered as securities salesmen in the state since July 1, 1958 may have their registration renewed without passing such written examination. Such examination shall be given once each month in the capital city and at least once each quarter in other locations in the state.

(9) Section 10-04-03 (1), regarding administration of the act, was amended to provide for administration by a securities commissioner who "shall be skilled in securities," appointed by the Governor and confirmed by the state for a four-year term (previously the state examiner appointed a deputy as ex offico administrator).

OKLAHOMA

The principal amendments to the Oklahoma Securities Act were the following:

(1) Section 2(b), defining "agent," was amended to exempt individuals representing an issuer in effecting transactions in securities exempt under Subdivisions (4), (5), (6) or (7) of Section 401(a).

(2) Section 2(1), defining "security," was amended to exclude certificates of interest or participation in an oil, gas or mining title or lease. Section 2(g), defining "issuer," was amended to eliminate references to an oil, gas or mining title or lease. Section 2(c), defining "dealer," was amended by eliminating Subdivision (4) which subdivision ex-

Continued on page 128

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cluded a person who engages in the exploration or production or refining of oil, gas, coal, uranium, sulphur or any other minerals and who is not principally engaged in effecting transactions in securities. Section 401(a) (12) was eliminated, which section exempted certificates of interest or participation in an oil, gas or mining title or lease embracing a specifically described tract of land more than one-tenth of an acre or a fractional undivided interest in a specifically described tract with an acreage equivalent of more than one-tenth of an acre.

(3) Section 401(a) (10), exempting commercial paper, was amended by adding a proviso that the exemption shall apply only to obligations to pay money, sold or offered for sale to the persons described in Section 401(b) (8).

(4) Section 202(b) was amended to increase from $5 to $10 the filing fee for initial or renewal registration by an agent.

(5) Section 305(b), previously providing a filing fee for registration of securities of one-tenth of 1% of the maximum aggregate offering price of securities to be sold in the state with a minimum fee of $25 and a maximum of $300, was amended to provide the following fee: one-tenth of 1% of the maximum aggregate offering price of securities to be sold in the state up to $250,000; one-twentieth of 1% from $250,000 to $500,000; one-fortieth of 1% from $500,000 to $1,000,000; and 1/100 of 1% on the excess of $1,000,000 with a minimum fee of $50 and no maximum fee.

(6) Section 305(c) was amended by adding a provision that every registration statement shall contain an undertaking by the applicant to promptly file correcting amendments with the administrator under such rule as he may prescribe at any time when the information contained in any document required to be filed with the administrator is or becomes inaccurate or incomplete in any material respect.

OREGON

The Oregon Securities Act was amended effective April 28, 1961 as follows:

(1) Subdivision (f) of Section 59.170(3) was amended to eliminate a requirement that the balance sheet accompanying registration by qualification had to be dated within 90 days of the date of filing, so that the balance sheet must now be dated as of the latest practicable date prior to the date of delivery. Subdivision (k) of the same section was amended so that articles of incorporation filed with a registration by qualification do not have to be certified.

(2) Section 59.230 was amended by adding provisions that the commissioner may require applicants for a license as a dealer, including the partners of a partnership, the executive officers of a corporation or association or any person occupying a similar status or performing similar functions, or as a salesman, to submit to and pass successfully an oral or written examination as evidence of the applicant's knowledge and understanding of the securities business.

(3) Section 59.230 was also amended by adding provisions that applicants for licensing as dealers shall pay an examination fee of $50.00 and applicants for licensing as salesmen shall pay an examination fee of $10.00.

SOUTH CAROLINA

South Carolina adopted a complete new securities act effective June 14, 1961 based on the Uniform Securities Act, with modifications.

SOUTH DAKOTA

The following amendments to the South Dakota Securities Act were adopted effective July 1, 1961:

(1) Section 55.1901 (relating to administration of the act) was revised to provide for administration by a securities commissioner appointed by the Governor by and with the advice and consent of the Senate.

(2) Subdivision (5) of Section 55.1903 (exempting securities listed on any national securities exchange) was amended to exempt also:

"over - the - counter securities which may be legally traded in interstate commerce under the provisions of the appropriate regulations of the Federal Securities and Exchange Commission and all securities senior to any securities so listed or traded over-the-counter or represented by subscription rights which have been so listed or traded over-the-counter under the appropriate regulations of the Federal Securities and Exchange Commission such securities to be exempt only so long as such listing or legal over-the-counter trading shall remain in effect."

(3) Section 55.1907 (relating to registration by application) was amended to provide that registration shall be effective from one year from issuance or (as previously provided) until exhausted by the sale of the securities so registered or until suspended, cancelled or revoked.

(4) Section 55.1908 (relating to registration by notification) was amended (a) to add to the information required to be filed a copy of the security, a current financial statement and, if required, a consent to service of process and (b) to change the time at which such registration automatically becomes effective from 24 hours to 72 hours after notice is filed.

(5) Section 55.1912, which previously required a surety bond by a broker in the amount of $5,000 was amended to provide that the exact amount of bond shall be approved by the commissioner, not less than $5,000, nor more than $15,000.

(6) Section 55.1920 (relating to fees) was amended to increase the amount of many of the fees, the principal of which increased from $25 to $35 the minimum fee of securities, from $10 to $25 the minimum fee on notification of intention to sell and from $100 to $200 the maximum fee on notification of intention to sell.

TENNESSEE

Item 10 of Section 48-1624 of the Tennessee Securities Act, requiring the financial statement of balance sheet accompanying the application of a dealer for registration to be certified by an independent certified public accountant, was amended to permit certification by a public accountant licensed by the State of Tennessee. Section 48-1619 (exempt securities) was amended by adding a new Subsection (K) to exempt securities of corporations organized pursuant to the cooperative marketing law of the state.

UTAH

The principal amendments to the Utah Securities Act, effective May 15, 1961, were as follows:

(1) Section 61-1-1, relating to the organization and powers of the securities commission, was amended by inserting a provision that the commission is vested with the power and authority to make rules and regulations as shall be deemed necessaary to administer and enforce provisions of the Act. A requirement that the commission hold weekly meetings was deleted.

(2) Section 61-1-4(4), defining "dealer," was amended to include every person who "holds himself or itself out as a securities investment counselor."

(3) Section 61-1-4(6), defining "salesman," was amended so as not to apply to a person employed, appointed or authorized by an issuer and to eliminate the provision that the partners of a partnership and the executive officers of a corporation or other association registered as a dealer shall not be deemed salesmen within the meaning of the definition.

(4) Section 61-1-5 was amended by adding a new subdivision to exempt:

"(10) A joint venture of not more than ten individuals, all having the same responsibility and signing such an agreement, or the incorporators signing the articles of incorporation."

(5) Section 61-1-10, relating to registration of securities by notification, was amended by increasing from $1 to $10 the fee to be paid at the time of filing the registration statement.

(6) Section 61-1-11, relating to registration of securities by qualification, was amended to provide a filing fee of $25; to provide that of the registration is granted the applicant shall pay a fee of $1 per $1,000 of the aggregate offering price of the securities to be sold in the state (previously a fee of one-tenth of 1% of par value); to raise the minimum fee from $10 to $25; to eliminate a provision that in case of stock having no par value, the price at which such stock is to be offered to the public shall be deemed to be the par value; and to add a provision that the filing fee will be applied toward the registration fee.

(7) Section 61-1-15, relating to the registration of dealers and salesmen, was amended to except, from the requirement that applicants pass a written examination, an issuer whose securities have been registered by qualification under the Act. This section also was amended to provide that each dealer's license granted to any firm consisting of more than one person or to a corporation shall entitle such dealer to designate one of its officers or members

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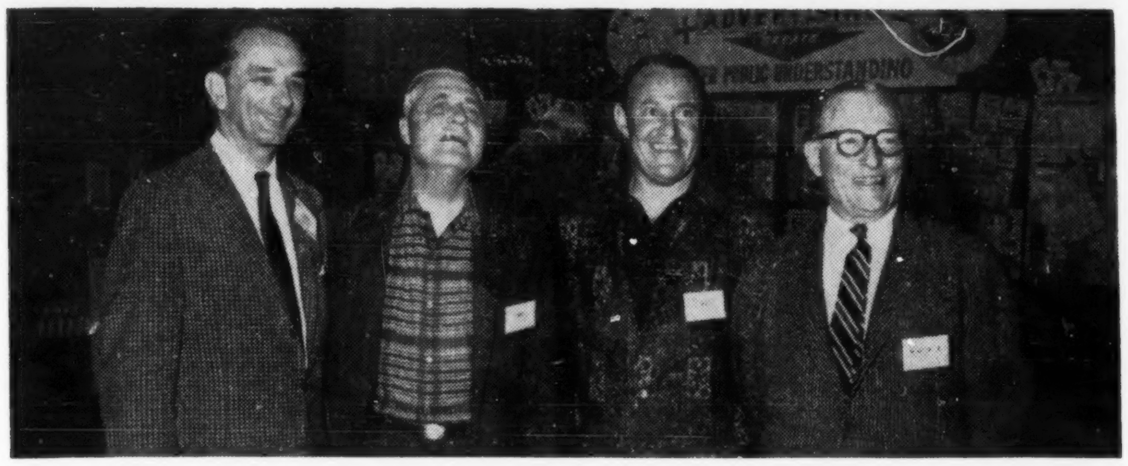


James H. Sheils, *Gregory & Sons*, New York; Leslie L. Lentz, *Lentz, Newton & Co.*, San Antonio, Texas; John W. Turner, *Eppler, Guerin & Turner*, Dallas; Frank R. Newton, Jr., *Lentz, Newton & Co.*, San Antonio, Texas

Daniels E. Brasted, *Evans & Co. Incorporated*, New York; Stuart Stevenson, *Bankers Trust Company*, New York; Chuck Miller, *Mullaney, Wells & Company*, Chicago; Peter Knoop, *Auchincloss, Parker & Redpath*, New York; Calvin W. Clayton, *Clayton Securities Corporation*, Boston

Continued from page 128

who, upon compliance with the Act and without payment of further fee, upon issuance of the license shall be entitled to perform all of the acts of a securities salesman. The person so designated must make application for a salesman's license accompanying the application of the dealer. Further amendments in this section provide a reinstatement fee when a license is not renewed on or before Jan. 15 of each year of $10 for dealers and $5 for a salesman; increase from $1 to $2 the fee for renewal of registration of salesmen; and provide a $5 fee for each examination.

WASHINGTON

The principal amendments to the Washington Securities Act, effective June 8, 1961, were the following:

(1) Subdivision (2) of Section 21.20.005, defining salesman, was amended by deleting a provision that a partner, officer or director of a broker-dealer or issuer is a salesman only if he otherwise comes within the definition.

(2) Section 21.20050 was amended by deleting a provision that registration of a broker-dealer automatically constitutes registration of all partners, officers or directors as salesmen (except any partner, officer or director whose registration as a salesman is denied, suspended or revoked) without the filing of applications for registration as salesmen or the payment of fees for registration as salesmen.

(3) Subdivision (2) of Section 21.20.190, requiring that a registration statement shall have been on file with the director for at least 10 days, was amended by making the requirement 10 full business days.

(4) Section 21.20.320, relating to exempt transactions, was amended by deleting Subdivision (16) which authorized the director to exempt certain transactions whereby interests in oil and gas leases or property are acquired by a partnership or joint enterprise.

(5) Subdivision (1) of Section 21.20.340 providing the registration fee for all securities other than investment trusts and securities registered by coordination, was amended to eliminate the $500 maximum fee. Subdivision (2), relating to the registration fee for securities issued by a face amount certificate company or redeemable securities issued by an open-end management company or unit investment trust, was amended to eliminate the $1,000 maximum fee but a proviso was added that an issuer may upon the payment of a $25 fee renew for an additional 12-month period the unsold portion for which the registration fee has been paid.

WISCONSIN

The principal amendment to the Wisconsin Securities Act amended subdivision (1) of Section 189.06 by adding the underlined language to read as follows:

"(1) Any security issued by, or the principal and interest of which are guaranteed by, any state, territory or insular possession of the United States or by any political subdivision of any thereof, or by any foreign government, or combination of foreign governments, or any state, territory or political subdivision thereof, in each case having power of taxation or assessment *and pledging the general credit thereof*, for the purpose of paying such security."

APPENDIX B

Summary of Principal Problems Reported in Qualifying Securities Under State Securities Acts

Michigan: For many issues no application for registration was filed in Michigan because the Commission will not authorize the sale of any stock at a price in excess of the fair and reasonable book value, unless, if such stock is common stock, it can show average net income of not less than 5% of the proposed offering price per year for a period of not less than one year and not more than five years immediately preceding application.

Florida: For several issues of debentures no application for registration was filed in Florida because of a requirement that there be a sinking fund. These issues included the following: Montgomery Ward Credit Corp. debentures; General Motors Acceptance Corp. debentures; John Deere Credit Company debentures.

Vermont: Several underwriters stated that they do not file for registration in Vermont because issuers object to a required consent to service of process which grants blanket jurisdiction over the company and is not limited to matters arising out of the sale of securities.

California: Several secondary offerings of stock sold to underwriters by stockholders, where the issuer paid part of the expenses, were not registered in California. In some cases the selling stockholders held close to one-half of the outstanding shares. The California Division of Corporations would not grant registration unless the stockholders consented to the payment of expenses by the issuing company.

One underwriter commented: "We normally do not attempt to qualify in California unless pressed to do so because of the unusually complex nature of the filing required, the extreme position taken by California on cumulative voting rights, etc."

Texas: One issue which was registered in most of the other states where applications were filed (including California, Kansas, Illinois and Wisconsin) was rejected in Texas because of stock options to employees. Under a restricted stock option plan shares aggregating slightly more than one fourth of the number of shares offered to the public were subject to options granted to employees of the issuing company at a price substantially below the public offering price.

Another issue was rejected in Texas because the Commissioner considered the stock over priced, that too much of the income of the company was from government contracts and that fixed payments of the company were too heavy.

Missouri: One issue (which was registered in California, Illinois and Texas) was rejected in Missouri because options outstanding to some of the management of the issuer (who were also selling stockholders) were exercisable at a price lower than the public offering price. The securities subject to such options were only about 1/17th of the total shares outstanding after the offering.

Another issue was rejected in Missouri because the Commissioner concluded that the company was too dependent on government business and that there were other unfavorable factors in its operation.

Another underwriter commented: "We have had several requests to qualify recent offerings in Missouri but have declined to do so because the complex filing requirements lead to larger legal and filing fees than are justified by the prospects of sales in that state."

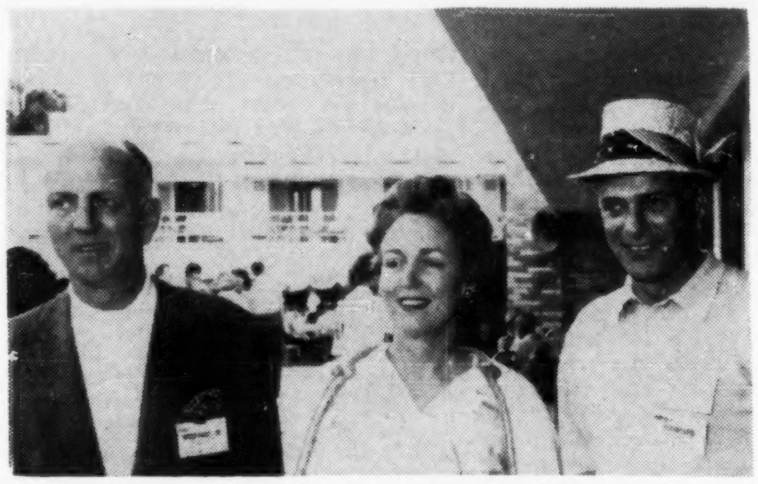
Iowa: Wisconsin: A few applications for registration of convertible preferred stock were withdrawn in Iowa and Wisconsin because the Commissions in those states have established capitalization ratios which must be met for preferred stock. It was reported that in Iowa the ratio of preferred stock to common stock and surplus may not exceed 4 or 5 to 1 and that in Wisconsin the ratio may not exceed 2 to 1.

Tennessee: Nebraska: One underwriter stated that: "In the case of at least two of these states, Nebraska and Tennessee, we were required to withdraw our applications not because the offering would not qualify under the

Continued on page 131

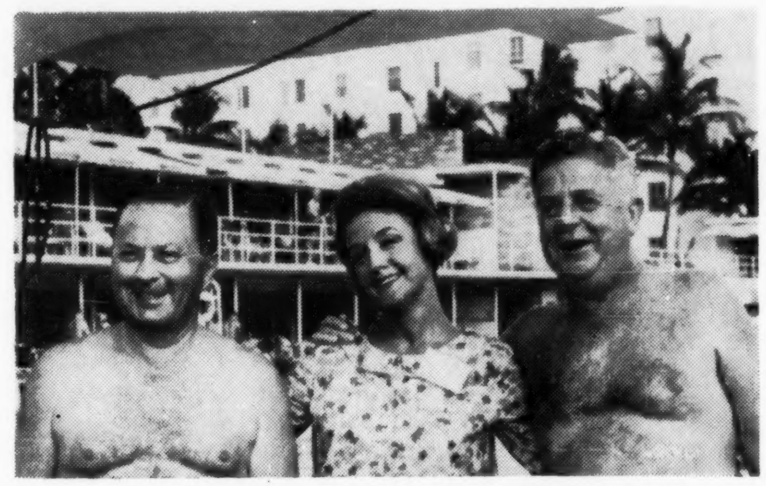
Mr. & Mrs. Roy W. Doolittle, Jr., *Doolittle & Co.*, Buffalo, N. Y.; Mr. & Mrs. Alexander M. Griggs, *Common, Dann & Co.*, Buffalo, N. Y.; Mrs. Andrew Peck, New York

S. Whitney Bradley, *Eaton & Howard, Incorporated*, Boston; Herbert H. Davis, Jr., *Kirkpatrick-Pettis Company*, Omaha; Eugene de Bronkhart, *Hill, Darlington & Grimm*, New York



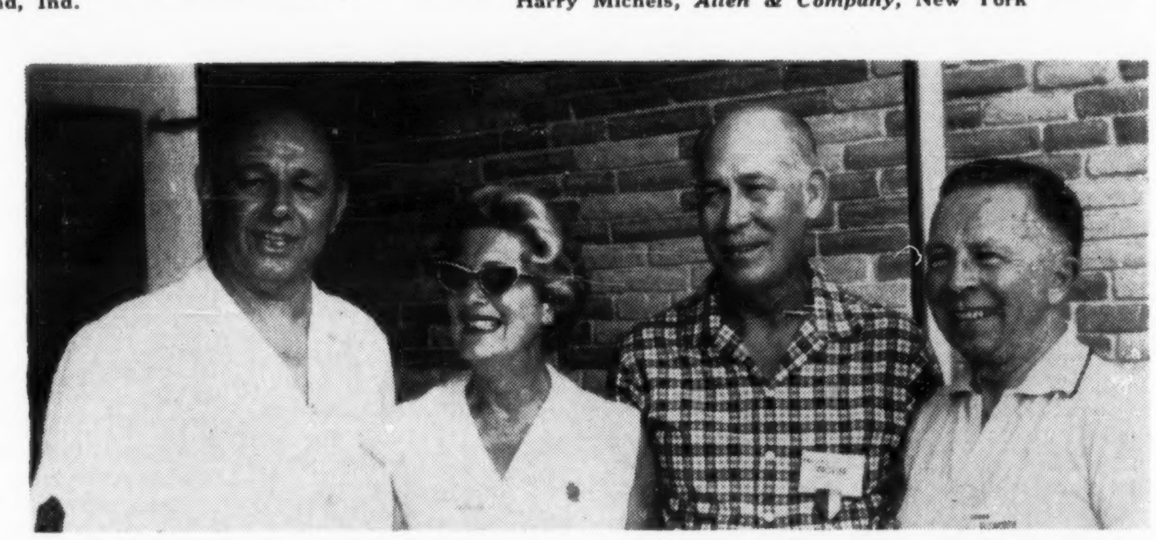
Mr. & Mrs. John T. Winkhaus, Jr., *Carlisle & Jacquelin*, New York; Harold R. Holmyard, *Hayden, Stone & Co.*, New York

Mr. & Mrs. Davies Robertson, *Albert McGann Securities Company*, South Bend, Ind.



Mr. & Mrs. Irving Koerner, *Allen & Company*, New York; Harry Michels, *Allen & Company*, New York

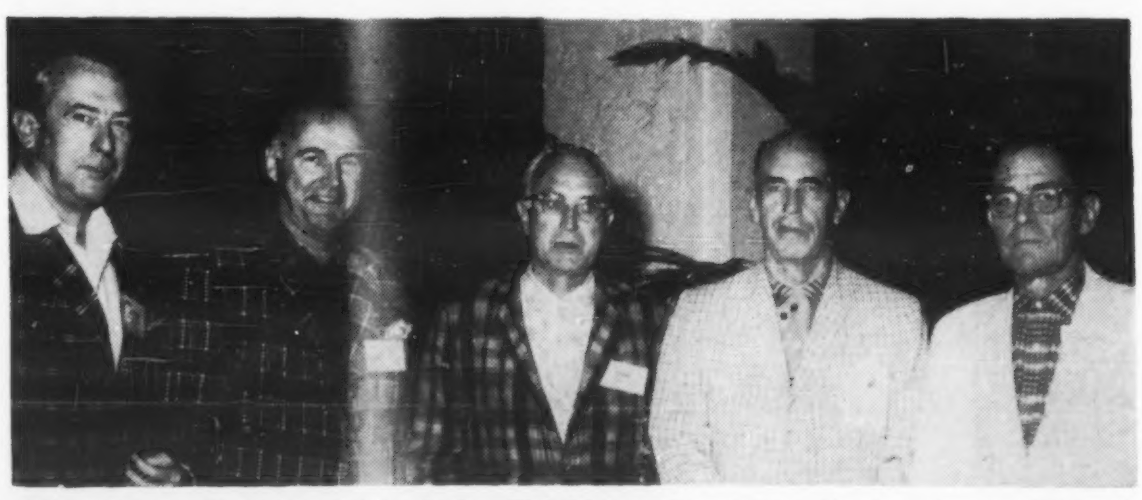
Mr. & Mrs. Lewis M. Krohn, *Ira Haupt & Co.*, New York; Mr. & Mrs. N. W. Doyle, *Fahnestock & Co.*, New York



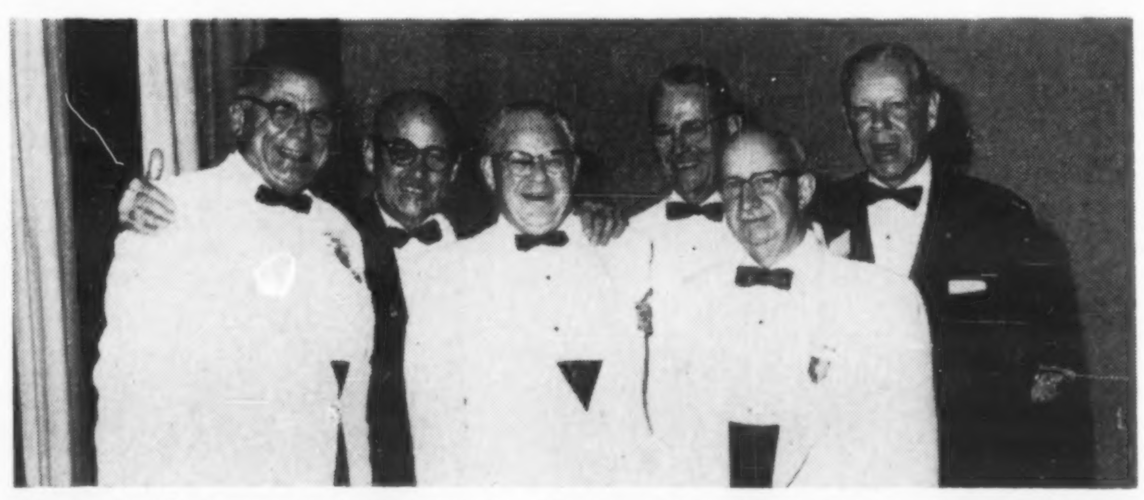
Hans A. Widenmann, *Carl M. Loeb, Rhoades & Co.*, New York; Mr. & Mrs. Malcolm S. Prosser, *Seattle-First National Bank*, Seattle; Sherman Ellsworth, *Wm. P. Harper & Son & Co.*, Seattle

Mrs. Belmont Towbin, New York; Mrs. J. Emerson Thors, New York; Mrs. Harold X. Schreder; L. B. Schwinn, *L. B. Schwinn & Co.*, Cleveland (in rear); Harold X. Schreder, *Distributors Group, Incorporated*, New York (in rear)

Gilbert Wehmann, *White, Weld & Co.*, New York; Garrett H. Taylor, *Wood, Gundy & Co., Inc.*, New York; Edwin J. Dikeman, *Bankers Trust Company*, New York; Earle Gatchell, *Hayden, Stone & Co.*, New York



Arthur Horton, *Penington, Colket & Co.*, Philadelphia; Theodore C. Shaeffer, *Janney, Battles & E. W. Clark, Inc.*, Philadelphia; Sidney S. Blake, *Janney, Battles & E. W. Clark, Inc.*, Philadelphia; Bertram M. Wilde, *Janney, Battles & E. W. Clark, Inc.*, Philadelphia; William H. P. Townsend, *Janney, Battles & E. W. Clark, Inc.*



Vincent Reilly, *Commercial & Financial Chronicle*, New York; Robert O. Shepard, *Prescott & Co.*, Cleveland; Malcolm F. Roberts, *Hornblower & Weeks*, Denver; Herbert R. Anderson, *Distributors Group, Incorporated*, New York; Erwin Boehmler, *Investment Bankers Association*, Washington, D. C.; Joseph W. Sener, *John C. Legg & Company*, Baltimore

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statutes and regulations of these states, but rather because our applications were not acceptable to states like Illinois and Indiana. It is our opinion that these administrators were stretching their administrative discretion. It should be said that all state administrators do not rely on the action taken by other states. The administrators of Georgia, New Hampshire, North Carolina, Rhode Island and other states have called us to inquire of the background . . . and after hearing an explanation, have qualified our applications."

One underwriter reported that stock of a small business investment company was denied registration in Tennessee because it is the policy of the Commission there not to register any small business investment company securities, and there was also a suggestion of requiring officers and directors to deposit stock of the company held by them in escrow in a Tennessee bank.

Illinois: Indiana: There were several complaints that these states required a special sticker to be attached to the prospectus stating "These are speculative securties," despite the fact that the cover page of the prospectus carried the legend required by the SEC that "These securities are offered as a speculation."

Options and Warrants: There were many reports of difficulties in registering in various states issues involving options and warrants. On this subject it is suggested that underwriters check the statement of policy on options and warrants adopted by the North American Securities Administrators and also the report as to which states follow all or portions of that statement of policy.

Real Estate Investment Trusts: Several underwriters reported difficulties in registering shares of real estate investment trusts in states which have adopted the statement of policy of the Midwest Securities Administrators.

APPENDIX C

Statement of Policy on Options and Warrants of the North American Securities Administrators including Standards Approved in 1959, Revised in 1961

Warrants or stock purchase options to those other than the purchasers of securities will hereafter be looked upon with great disfavor and will be considered as a basis for denial of the application except in unusual instances and the burden shall always rest on the applicant to justify their issuance. The number of warrants sought to be issued, the exercisable price, the terms in which they are exercisable and the absence or adequacy of a step-up rate in the exercisable price will all be taken into consideration.

This committee suggests the following standards or guides for the use of administrators in determining whether the issuance of stock options under the Statement of Policy is justifiable:

(1) That options to management in the nature of restricted stock options for incentive purposes, if reasonable in number and method of exercise, be generally looked upon favorably;

(2) That options to employees, or their nominees, pursuant to stock purchase plans or profit sharing plans, if reasonable in number and method of exercise, be generally looked upon favorably;

(3) That the Statement of Policy be given a liberal interpretation as to options or warrants issued to underwriters in connection with a public offering price, if:

(a) They are issued to the managing underwriter under a firm underwriting agreement and are not assignable or transferable, except to partners of the undewriter when the underwriter is a partnership.

(b) The number of shares covered by the warrants or options do not exceed 10% of the securities to be outstanding at the completion of the offering, such percentage including warrants to employees.

(c) The initial exercise price of the options is at least equal to the public offering price with a "step-up" of the exercise price of 7% each year they are outstanding, or in the alternative, an over-all 20% step-up. The step-up shall commence 12 months after the grant of the option or warrant. The election as to the step-up rate must be made at the time the option or warrant is issued.

(d) The options or warrants do not exceed five years in duration and are exercisable no sooner than 11 months after issuance, and;

(e) The options or warrants are issued by a relatively small company in the promotional stage where it appears from all of the facts and circumstances that the issuance of such options is necessary to obtain competent investment banking service, provided that the direct commissions to the underwriters are lower than the usual and customary commissions would be in the absence of such options or warrants.

(4) That in those states where it is necessary to include the value of the options in the computation of commissions the market value of such options, if any, be used. That in those cases where no market value exists an arbitrary value of 20% of the original exercise price of options be used unless evidence indicates that a contrary valuation exists.

(5) That the same tests be applied to options issued by "selling shareholders" as has been recommended herein, unless evidence indicates that the selling shareholders are so separated from the corporate entity and so lacking in control of the corporate entity as to require more liberal treatment.

APPENDIX D

Statement of Policy in Real Estate Investment Trusts of the Midwest Securities Commissioners as revised June '61

Applications to register securities issued or issuable by a real estate investment trust shall generally be looked upon with disfavor unless the following requirements are met

(A) *Definition:* A real estate investment trust is defined as an unincorporated trust or association which intends to comply with Sections 856, 857 and 858 of the Internal Revenue Code of 1954, as amended.

(B) *Declaration of Trust:* The declaration of trust, or other instrument forming the trust, shall, among other things, ordinarily contain provisions providing for the following:

(1) TRUSTEES.

(a) *Number and Election* — A real estate investment trust shall have a minimum of three trustees all of whom are elected annually by the outstanding shares of beneficial interest.

(b) *No Assets Acquired From Trustees and Others*—No assets of the trust shall be acquired, directly or indirectly, from or through or conveyed to any trustee, investment adviser of the trust, officer, independent contractor of the trust or employee, except for the acquisition of assets at the formation of the trust, or shortly thereafter, and then only if the acquisition price or such assets is based on an independent appraisal acceptable to the administrator; nor may any such person receive a commission or other remuneration, directly or indirectly, in connection with the disposal or acquisition of trust assets.

(c) *Liability of the Trustee*—The declaration of trust, or other instrument forming the trust shall not contain any provisions relieving any trustee from liability to the trust or its security holders to which it or he might otherwise be subject by reason of acts constituting bad faith, willful misfeasance, gross negligence or reckless disregard of its or his duties.

(d) *Removal of Trustee* — A trustee or trustees may be removed by the vote or written consent of the holders of two-thirds of the outstanding shares of beneficial interest.

(2) INVESTMENT POLICY.

The investment policies intended to be followed by the trustees should be stated with reasonable particularity;

(3) LIABILITY OF BENEFICIARIES.

That the shares, or certificates, are non-assessable. That the shareholders or beneficial owners shall not be personally liable on account of any of the obligations of the trust. To reinforce this objective, it should further be provided that all written contracts to which the trust is a party shall include a provision that the

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shareholders or beneficial owners shall not be personally liable thereon. The trustees must further be required to maintain adequate insurance against possible liability on the part of the trust, *ex delictu;*

(4) REPORTS.

(a) For preparation of an annual report consisting of a detailed report of the activities of the trust during the period covered by the report and of a balance sheet, statement of income, and surplus of the trust and an opinion thereon of an independent certified accountant or independent public accountant based on an examination of the books and records of the trust not materially limited in scope, and made in accordance with generally accepted auditing procedures;

(b) For the filing of such annual report with the trustees, and the Administrator, and the delivery of a copy thereof to each shareholder or beneficial owner, within 90 days after the close of the period covered by the report. The copies delivered to the trustee and administrator shall be manually signed.

(c) For furnishing to the shareholders or beneficial owners and to the Administrator, of interim reports, at least quarterly, containing a current balance sheet which may be unaudited; and other pertinent information regarding the trust and its activities in the quarter covered by the report;

(5) ANNUAL MEETING.

For an annual meeting of the shareholders, or beneficial owners, at a convenient location on proper notice to the shareholders, or beneficial owners, following delivery of the annual report required in 4 (a) above;

(6) SPECIAL MEETINGS.

Special meetings of the shareholders, or beneficial owners, may be called by the President, or by a majority of the trustees and shall be called by any officer of the Trust upon written request of shareholders holding together not less than twenty-five per cent (25%) of the outstanding shares of the trust entitled to vote at such meeting. The call shall state the nature of the business to be transacted and no other business shall be considered.

(7) INSPECTION OF RECORDS.

For the inspection of the trust records by the Administrator at a reasonable time; and inspection of trust records by a shareholder or beneficiary of the trust as permitted under local law to the same extent as is permitted corporate shareholders;

(8) DISTRIBUTION.

That any distributions to shareholders or certificate holders shall be accompanied by a statement in writing advising of the source of the funds so distributed. In case there may be doubt as to this matter, the communication may so state, in which event, the necessary statement shall be forwarded to shareholders, or beneficiaries, not later than 60 days after the close of the fiscal year in which the distribution was made;

(9) CHANGE IN TRUST.

That no change shall be made in the declaration of trust, or other instruments forming the trust, without the vote or written consent of the holders of two-thirds of the outstanding shares of beneficial interest.

(10) TERMINATION OF TRUST.

That the trust may be terminated at any time, by a vote or written consent of the holders of two-thirds of the outstanding shares of beneficial interest.

(11) INVESTMENT ADVISORY CONTRACT.

The trustees shall have absolute and exclusive control over the management of the trust and its property and the disposition thereof. An investment advisory contract entered into by the trustees ordinarily may not be for a period longer than one year. The total compensation of the investment adviser shall not exceed ½ of 1% annually, of the net assets of the trust managed. In the case of real property it shall be calculated on the basis of cost less depreciation or, in the judgment of the trustees, fair market value of the net assets of the trust, whichever is less.

(12) EXPENSE LIMITATION.

(a) Selling and Promotion Expense—That there shall be a reasonable limitation on selling and promotional expenses, based on requirements of local law.

(b) Annual Expenses—The aggregate annual expenses of every character, exclusive of interest, taxes, maintenance and upkeep of trust assets, payments to independent contractors, compensation to investment adviser, and reasonable sales commissions in the disposition of properties shall not exceed $5,000 or 1% of the average net assets of such trust calculated on a semi-annual or more frequent basis, consistently applied, whichever is greater. In the event the trust has no investment adviser, or if the compensation of the adviser is less than ½ of 1%, the expenses, including such compensation to the adviser, if any, may not exceed 1½% annually. The maximum amount of such expenses shall be stated in the prospectus.

(13) APPRAISAL.

The consideration paid for real property acquired by the trust shall ordinarily be based upon the fair market value of the property as determined by a real estate appraisal prepared by a qualified, disinterested, independent appraiser, acceptable to the administrator.

(14) PROHIBITED ACTIVITIES.

No real estate investment trust shall:

(1) Invest more than five (5) percent of its assets in unimproved real property. Unimproved property includes, among other things, vacant land, lots on which the permanent buildings have not been completed, and agricultural or ranching land;

(2) Invest in commodities;

(3) Invest in any mortgage or trust deed on unimproved real property or in any mortgage or trust deed other than a first mortgage or first trust deed not in a greater percentage of value, as confirmed by a competent independent appraiser, than permitted under local law to a savings and loan association;

(4) Invest more than one (1) percent of its assets in real estate contracts of sales;

(5) Invest in any real property which is subject to a mortgage or trust deed or other encumbrance to other than a bank, insurance company, or other institutional lender, and then only if the unpaid balance of said mortgage or trust deed, or other encumbrance at the time of such investment, is not greater than 66⅔% of the fair market value of said property as confirmed by a competent independent appraiser;

(6) Engage in any short sale, borrow, unsecured, more than 8% of the net value of its net assets; nor encumber any of its real property more than 66⅔% of the fair market value of said property as confirmed by a competent independent appraiser.

(7) Acquire or convey any interest in any property in which any trustee, adviser of the trust, independent contractor, or employee for the trust also has an interest, directly or indirectly, except as permitted in Rule B(1) (b);

(8) Engage in trading as compared with investment activities;

(9) Issue securities of more than one class;

(10) Issue redeemable securities;

(11) Hold securities in any company holding investments or engaging in activities prohibited by this section;

(12) Engage in underwriting or agency distribution of securities issued by others;

(13) Issue warrants, options, or similar evidence of a rights to buy its securities; other than to all the shareholders ratably.

(C) Minimum Capital: A real estate investment trust shall ordinarily have a net capital of not less than $100,000 represented by outstanding shares or certificates of beneficial interest.

(D) Contracts With Independent Contractors: A copy of all contracts with independent contractors for the management, operation or furnishing of services to tenants of trust properties shall be filed with the Administrator accompanied by satisfactory evidence that the fees therein provided are in accord with the prevailing costs for such services in the area in which the property is located.

(E) RECORDING: That the declaration of trust, or other instrument forming the trust, shall be filed for record in the office of the County Recorder in the country where the principal business of the trust is located and in any other county where property of the trust is located.

Report of IBA Foreign Investment Committee

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announced by the Export-Import Bank of Washington. Both plans are designed to broaden the facilities available to United States exporters on short and medium-term transactions (usually up to five years, but up to seven years for jet aircraft). Both plans encourage the exporter to deal directly with his private commercial br-k.

New Private Insurance Protection

The first plan is based on a new private Insurance Association, organized and owned by private insurance companies, which will be backed up by the Export-Import Bank. Comprehensive insurance policies will be issued by this Association through insurance agents all over the country, the policies to cover the exporter to the extent of 85% on his credit or commercial risks, and to the extent of 90% or 95% on his political risks. The Export-Import Bank and the Insurance Association will be co-insurers to the extent of 50% with respect to credit risks, and Eximbank will be the sole insurer with respect to political risks. When an exporter offers such a policy to his bank as collateral, his opportunity to obtain financing is obviously enhanced.

The second plan is designed for the exporters and commercial banks who do not feel the need of an insurance policy. In this case, the exporter retains 15% of both the political and commercial risks. The commercial banks may then obtain from Eximbank a political risk guaranty with respect to the first one-half of the instalments of a 1 or 2 year credit, or the first 18 months of instalments of a 3, 4 or 5 year credit. The later maturities will be fully guaranteed against both political and commercial risks by Eximbank and should be readily saleable to other commercial banks, insurance companies, pension funds or other investors. This fully guaranteed paper could also serve as collateral for the issuance of debentures by financial institutions.

These programs of AID and Export-Import Bank are an interesting and potentially important step in our opinion in encouraging a broader participation by private institutions in the field of foreign investment. They open up a new field of activity for both commercial and investment bankers.

Among the international financial agencies several developments are worth noting.

Inter-American Bank to Offer Bonds in U. S.

The Inter-American Development Bank is now a fully operational lending agency, and at the rate it is now putting its capital to work it appears likely that it will be offering its bonds for sale in our market sometime within the next year.

The International Finance Corporation is studying proposals that it facilitate the public or private sale of foreign equity securities both in the United States market and in certain foreign markets by backstopping private bankers on a portion of their underwriting commitments in connection with the distribution of such securities.

The World Bank and certain other agencies are studying the possibilities and problems involved in forming an international investment insurance corporation which would provide on an international basis insurance for foreign investments such as that now offered by the governments of the United States, Japan and Germany for their own citizens.

The World Bank has also taken the lead in exploring the possibilities of establishing a special forum for the conciliation or arbitration of financial disputes between private parties and governments. This study was initiated at the request of certain member governments in view of the need for such machinery and the experience which the World Bank has already had in this field.

Conclusion

We recognize that the activities of this Committee relate to what is today only a small part of our investment banking business in the United States. There are still relatively few of our member firms who are actively engaged in foreign investment. The question is frequently raised "Is it worthwhile?"

We believe work in the foreign investment field is worthwhile for those United States investment banking firms with sufficient background training, diversification in their activities and patience to devote a portion of their work to the development of this business. We believe it is worthwhile for the same reason that a progressive industrial corporation devote a portion of its resources to research and development of new products to tap new markets.

We believe it is worthwhile because we cannot help observing the rapidly expanding interdependence in business, trade and finance between the nations of the world. Political boundaries have already lost much of their importance to businessmen and bankers within the Common Market. Convertible currencies now in existence and increasing discussion of the need for closer coordination of trade and monetary policy between the leading industrial nations all point the way to an increasing international flow of private investment capital between the various financial markets.

The potential market is as broad as the Free World. The existing demand for funds is tremendous. The flow of this capital will be managed by investment bankers somewhere and they will be paid for the service they render. We believe investment bankers in the United States will "find it worthwhile" to play a leading role in this expanding market for "foreign investment."

In closing I want to express my appreciation and thanks to the members of the Committee and of our IBA staff for their contribution of time and knowledge to our work this year.

Respectfully submitted,

FOREIGN INVESTMENT COMMITTEE

Arthur L. Wadsworth., Chairman
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John M. Young
Morgan Stanley & Co.
New York, N. Y.

APPENDIX A

Purchases of Foreign Stocks
By U. S. Investors
($ Millions)

Year	Gross Purchases	Net Purchases
1946	$65.6	$0.4
1947	42.6	—14.6
1948	96.7	15.0
1949	70.8	—18.0
1950	198.2	24.4
1951	348.7	76.4
1952	329.6	35.8
1953	303.4	—6.8
1954	644.9	251.6
1955	877.9	214.3
1956	875.2	126.1
1957	621.9	29.1
1958	803.7	336.4
1959	803.8	237.7
1960	591.7	82.6
Jan.-Aug. 1961	$580.5	$196.7

Source: Treasury Bulletin

NOTE: The above data related to the total amount of money debited or credited to U. S. Accounts as the result of transactions in foreign securities, including Canadian securities. The gross purchases figures reflect both new and outstanding issues. The differences between the gross purchases and net purchases figures primarily reflect: (1) sales of foreign securities by U. S. investors to foreign investors; (2) redemption of foreign securities, either in the U. S. or abroad; and (3) purchases for sinking fund purposes.

The statistics cover only securities transactions (including transactions in the securities of international organizations, such as the World Bank.) They do not include direct foreign investment by U. S. corporations, nor do they cover inter-company account transactions of U. S. non-banking firms with their own branches and subsidiaries abroad or with foreign parent companies. The statistics are based on monthly reports to the Treasury Department by banks and security dealers and brokers on transactions with foreigners for their own account and for the account of customers. They, therefore, do not cover transactions carried out entirely abroad in which a reporting institution is not involved.

The term "U. S. Investors" covers all institutions and individuals domiciled within the U. S. and its territories and possessions, with the exception of the following: (1) branches or agencies of foreign central banks; (2) other official institutions of foreign countries; and (3) international organizations.

APPENDIX A

PURCHASES OF FOREIGN SECURITIES BY U. S. INVESTORS—1960

($ thousands)

Country of seller	Gross Purchases			Net Purchases		
Europe—	Bonds	Stocks	Total	Bonds	Stocks	Total
Austria	$1,290	$36	$1,326	$—210	$13	$—197
Belgium	11,348	5,059	16,407	—15,307	922	—14,385
Denmark	1,974	386	2,360	—492	315	—177
Finland	3,299	23	3,322	—3,305	23	—3,282
France	10,507	25,951	36,458	—14,531	4,206	—10,325
Germany	60,322	32,793	93,115	24,056	17,674	41,730
Greece	1,512	635	2,147	981	583	1,564
Italy	750	16,878	17,628	—39,485	12,517	—26,968
Netherlands	20,570	155,997	176,567	—263	87,906	87,643
Norway	18,267	564	18,831	7,666	—847	6,819
Portugal	1,009	155	1,164	—293	—121	—414
Spain	427	190	617	—1,432	23	—1,409
Sweden	9,030	1,389	10,419	6,618	—11,889	—5,271
Switzerland	92,245	46,920	139,165	—441	6,312	5,871
Turkey	------	16	16	—5	—97	—102
United Kingdom	79,011	58,267	137,278	43,531	—42,147	1,384
Other Europe	59,159	413	59,572	35,025	—186	34,839
Total Europe	$369,862	$345,497	$716,392	$42,113	$75,207	$117,320
Canada	$418,957	$197,826	$616,783	$209,738	$—13,889	$195,849
Latin America	160,939	42,189	203,128	83,224	24,207	107,431
Asia	76,100	4,136	80,236	39,874	753	40,627
Other countries	61,814	1,864	63,678	39,313	—2,869	36,444
International	356,456	4	356,460	147,831	—785	147,046
Grand Total	$1,444,986	$591,691	$2,036,677	$562,093	$82,624	$644,717

Source: Treasury Department.

APPENDIX A

Purchases of Foreign Bonds
By U. S. Investors
($ Millions)

Year	Gross Purchases	Net Purchases
1946	$490.4	—$265.5
1947	634.3	—24.5
1948	291.4	79.8
1949	311.5	—9.8
1950	710.2	121.0
1951	801.0	300.6
1952	677.4	182.1
1953	621.5	79.0
1954	841.3	48.8
1955	509.4	—183.9
1956	991.5	385.0
1957	1,392.0	693.1
1958	1,915.1	1,026.1
1959	1,457.6	512.0
1960	1,445.0	562.1
Jan.-Aug. 1961	$710.4	$320.7

Source: Treasury Bulletin

APPENDIX A

Total Purchases of all Foreign
Securities by U. S. Investors
($ Millions)

Year	Gross Purchases	Net Purchases
1946	$556.1	—$261.1
1947	676.8	—39.0
1948	388.2	94.8
1949	382.3	—27.8
1950	908.4	145.4
1951	1,149.7	377.0
1952	1,007.0	217.9
1953	924.9	72.2
1954	1,486.1	300.4
1955	1,387.3	30.4
1956	1,866.8	511.1
1957	2,014.0	722.1
1958	2,718.8	1,362.5
1959	2,261.5	749.7
1960	2,036.7	644.7
Jan.-Aug. 1961	$1,290.7	$517.5

Source: Treasury Bulletin

APPENDIX C

AGENDA—Meeting of the Washington Subcommittee

IBA FOREIGN INVESTMENT COMMITTEE
Washington, D. C.
Nov. 15, 1961

10:00 a.m.

Meeting at the Treasury, with Mr. Robert V. Roosa, Under Secretary for Monetary Affairs.

11:15 a.m.

Meeting at the Inter-American Development Bank, with Mr. Felipe Herrera, President, Mr. T. Graydon Upton, Executive Vice-President, et al.

12:30 p.m.

Luncheon—at which Mr. Fowler Hamilton, Administrator for the Agency for International Development, will be our guest.

2:15 p.m.

Meeting at the International Finance Corporation, with Mr. Martin M. Rosen, Executive Vice-President.

3:30 p.m.

Meeting at the Export-Import Bank, with Mr. Harold F. Linder, President and Chairman, and Mr. James S. Bush, Director, et al.

Appendix B

Foreign Dollar Bond Offerings (1956-1961 inclusive)
(Offered by Investment Bankers)

11-14-61
RLD

Year	Issuer	Amount ($000)	Aggregate Amount of Concurrently Offered Short Term Debt ($000)	Term	Coupon	Date of Bonds	Date of Maturity	Payment Clause	Public Offering Date of Prospectus	Public Offering Price	Public Offering Yield to Maturity	Concurrent World Bank Financing ($000)
1956	Commonwealth of Australia	25,000	None	15 yrs.	4 1/2%	6-15-56	6-15-71	Dollars	6-20-56	98 1/2	4.69%	None
	Total	25,000										
1957	Commonwealth of Australia	20,000	None	15 yrs.	5	3-1-57	3-1-72	Dollars	3-13-57	100	5.00	None
	High Authority of the European Coal & Steel Community	25,000	10,000	18 yrs.	5 1/2	4-1-57	4-1-75	Dollars	4-9-57	100	5.50	None
	Kingdom of Belgium	30,000	None	15 yrs.	5 1/2	9-1-57	9-1-72	Dollars	9-10-57	97 1/2	5.75	50,000
	Totals	75,000	10,000									
1958	Union of South Africa	15,000	None	10 yrs.	5 1/2	1-1-58	1-1-68	Dollars	1-20-58	98 1/2	5.69	None
	City of Amsterdam	15,000	None	15 yrs.	5 1/4	3-1-58	3-1-73	Dollars	2-27-58	99	5.35	None
	The Belgian Congo	15,000	None	15 yrs.	5 1/4	4-1-58	4-1-73	Dollars	4-15-58	98 1/2	5.40	None
	Commonwealth of Australia	25,000	None	15 yrs.	4 3/4	5-1-58	5-1-73	Dollars	4-22-58	99	4.84	None
	City of Oslo (Norway)	8,000	3,000	15 yrs.	5 1/2	6-1-58	6-1-73	Dollars	5-28-58	97 1/2	5.75	None
	Federation of Rhodesia & Nyasaland	6,000	None	15 yrs.	5 3/4	5-1-58	5-1-73	Dollars	6-16-58	97 1/2	6.00	19,000
	High Authority of the European Coal & Steel Community	35,000	15,000	20 yrs.	5	7-1-58	7-1-78	Dollars	6-24-58	97	5.20	None
	Kingdom of Norway	17,500	None	15 yrs.	5 1/4	10-1-58	10-1-73	Dollars	9-23-58	98	5.45	None
	Republic of Panama	16,800	None	40 yrs.	4.80	11-1-58	11-1-98	Dollars	10-21-58	101.17	4.73	None
	Commonwealth of Australia	25,000	None	20 yrs.	5	11-1-58	11-1-78	Dollars	10-22-58	97 1/2	5.20	None
	Government of New Zealand	10,000	None	12 yrs.	5 1/2	12-1-58	12-1-70	Dollars	11-19-58	99	5.62	None
	Republic of Austria	25,000	None	15 yrs.	5 1/2	12-1-58	12-1-73	(Dollars (Austrian Schillings (Pounds (W. German Marks	12-3-58	96	5.91	25,000
	Union of South Africa	10,000	15,000	10 yrs.	5 1/2	12-1-58	12-1-68	Dollars	12-2-58	98 1/2	5.70	25,000
	Totals	223,300	33,000									
1959	Kingdom of Denmark	20,000	None	15 yrs.	5 1/2	2-1-59	2-1-74	Dollars	2-5-59	97 1/2	5.75	20,000
	Japan	15,000	15,000	15 yrs.	5 1/2	1-15-59	1-15-74	Dollars	2-17-59	98	5.70	10,000
	Government of Jamaica	10,000	2,500	15 yrs.	5 3/4	3-1-59	3-1-74	Dollars	2-25-59	95 1/2	6.22	None
	KLM Royal Dutch Airlines	18,500	None	20 yrs.	4 3/4	3-1-59	3-1-79	Dollars	3-10-59	100	4.75	None
	Southern Italy Development Fund	20,000	10,000	15 yrs.	5 1/2	5-1-59	5-1-74	Dollars	4-21-59	97 1/2	5.75	20,000
	Montecatini	10,000	None	20 yrs.	5 1/2	6-15-59	6-15-79	Dollars	6-30-59	100	5.50	None
	Commonwealth of Australia	25,000	None	20 yrs.	5 1/2	9-15-59	9-15-79	Dollars	9-16-59	97	5.75	None
	Credit Foncier de France	50,000	None	20 yrs.	5 1/2	12-15-59	12-15-79	Dollars	12-8-59	95 1/2	5.89	None
	Totals	168,500	27,500									
1960	Commonwealth of Australia	25,000	None	20 yrs.	5 1/4	4-15-60	4-15-80	Dollars	4-19-60	97 1/2	5.46	None
	City of Oslo (Norway)	10,000	None	15 yrs.	5 3/4	6-15-60	6-15-75	(Dollars (Pounds	6-21-60	99	5.85	None
	Commonwealth of Australia	25,000	None	20 yrs.	5 1/4	10-1-60	10-1-80	Dollars	9-28-60	98	5.46	None
	High Authority of the European Coal & Steel Community	25,000	10,000	20 yrs.	5 3/8	10-15-60	10-15-80	Dollars	10-18-60	97	5.63	None
	Totals	85,000	10,000									
1961	Kingdom of Norway	18,000	None	15 yrs.	5 1/2	5-1-61	5-1-76	Dollars	5-2-61	97 1/2	5.75	None
	Nippon Telegraph & Telephone Public Corporation	15,000	5,000	15 yrs.	6	4-15-61	4-15-76	Dollars	5-2-61	95 1/2	6.47	None
	Commonwealth of Australia	25,000	None	20 yrs.	5 1/2	7-1-61	7-1-81	Dollars	6-27-61	97	5.75	None
	Japan Development Bank	15,000	5,000	15 yrs.	6	10-15-61	10-15-76	Dollars	10-3-61	95 1/2	6.47	None
	Government of New Zealand	20,000	None	15 yrs.	5 3/4	10-15-61	10-15-76	Dollars	10-24-61	97 1/2	6.00	None
	Totals	93,000	10,000									

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